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FINANCIAL TIMES

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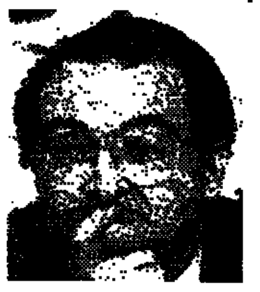
EBRD presses on with help to former Soviet bloc

The European Bank for Reconstruction and Development pressed on with efforts to help the economies of eastern Europe and the former Soviet Union as accusations of extravagance continued to dog its president, Jacques Attali (below).



The bank's annual meeting starts formally today in London with its board of governors due to discuss the costs of its establishment in the City as well as progress towards assisting former communist countries. Page 16; Turn gunmen into tax men, Page 2; IMF may seek to expand reserves, Page 4

EC ministers back sanctions: European Community foreign ministers backed tougher UN sanctions aimed at ending the fighting in former Yugoslavia, but left open the option of military intervention against the Bosnian Serbs. Page 16; Looking for a US lead, Page 2

E Europe frustrated over economics: East European governments are frustrated by growing protectionism among western states pledged to assist economic reform in the region, several of their trade and economy ministers warned during a weekend meeting in Tokyo of ministers and business leaders. Page 16

Daf vans plant sold: A UK management buy-out team from Leyland Daf Vans has reached agreement with the administrative receivers to take over the Birmingham-based van operations of the failed Dutch commercial vehicle maker. A separate management buy-out of Leyland Daf's truck factory in Lancashire is also expected to be announced this week. Page 17

Scalfaro steps up hunt for new PM: Italian president Oscar Luigi Scalfaro put strong pressure on the leaders of the main parties to co-operate in forming a new government quickly. Page 3

Unions urge E German strikes: Trade union leaders across Germany called on steel and engineering workers in the eastern states to vote for all-out strike action today to protect their pay deal for rapid wage equalisation with the west. Page 3; *Germany in need of new policy mix*, Page 14

Peseta remains vulnerable: A belief in the international money markets that Spain's foreign exchange reserves have been sharply depleted is likely to prompt new attacks on the peseta, now the weakest currency inside the European exchange rate mechanism. Page 3

Soros eyes gold market: George Soros, the international currency trader, is to buy a $400m stake in Newmont Mining, the Denver-based gold mining company, as a way of gaining exposure to the rising gold market. Page 17

ANA to cut dividend: All Nippon Airways, Japan's largest airline, is planning to cut its dividend in response to the downturn in the international and Japanese airline markets. The airline expects to report sharply lower net profits of around Y3bn for the year ended March, 1993, against a profit of Y7.6bn previously. Page 17

UK warns US on trade: Britain warned the Clinton administration that the US would endanger the free trade system if it were to press for bilateral agreements to guarantee shares of foreign markets in specific products. Page 4

'UK banks should widen margins': The UK government should follow the example of the US and the Federal Reserve in helping banks to widen their margins to help them raise profitability and maintain lending in recovery, according to the deputy chairman of Barclays. Page 16

Telecom Australia, the state-owned telecoms carrier, has joined forces with Rupert Murdoch's News Corporation and Kerry Packer's Channel Nine TV network to bid for Australia's first satellite television licence. Page 19

Brazil acts on economy: Brazil is attempting to stabilise its economy with an emergency plan of spending cuts, acceleration of its privatisation programme, and aims to stimulate 3.5 per cent growth this year through a return to subsidies and lower interest rates. Page 4

Malta closes doors to refugees: The small Mediterranean island of Malta, facing a threatened invasion by 40,000 refugees who fled from Iraq to Iran, has ordered its Tehran consulate not to issue them with visas.

Mitsukoshi, Japan's most famous department store, reported a Y2.16bn ($19.45m) pre-tax loss for the year to March. It blamed a shift away from luxury goods. Page 19

UK and China agree next talks: Britain and China have agreed to resume talks this week on plans by Chris Patten, Hong Kong governor, to broaden the scope for popular participation in elections leading up to China's takeover of Hong Kong in 1997, having concluded a first round at the weekend. Page 4

Indian hijack: Indian paramilitary commandos stormed a hijacked Indian airliner in Srinagar, killing the lone Kashmiri Moslem gunman and freeing all other 140 people aboard unhurt.

Zaire opposition strike call: Zairean opposition groups have called a protest strike against President Mobutu Sese Seko on Monday and Mobutu's troops appear to have struck out anew against dissidents.

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira30	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Peso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Esc215	Turkey	L7000
						UAE	Dh11.00

London City bomb brings calls for terrorist action

By Andrew Jack, Richard Waters and Philip Stephens in London

THE UK GOVERNMENT faces calls to sharpen its anti-terrorist campaign after the massive Irish Republican Army bomb in the City of London which left one man dead and caused damage provisionally estimated at more than £300m ($462m).

As thousands of City workers faced the prospect of being moved into temporary office space, the prime minister will come under pressure from members of Parliament for a much wider review of the government's *efforts to halt the IRA's mainland* bombing campaign.

However, senior ministers were cautioning last night against any "knee-jerk" response that would add to the propaganda value for the IRA of the latest attack.

The prime minister's office was seeking to avoid a formal statement to MPs on the bombing because of its longstanding view that government should not add to the publicity on which the IRA thrives.

Mr Michael Cassidy, chairman of the Corporation of the City of London's policy committee, estimated that at least 20,000 people might need to be temporarily relocated from offices most affected.

The Association of British Insurers (ABI) said early estimates of the damage inflicted by the bombing, which have run as high as £1bn, may prove widely exaggerated.

It said the damage was likely to be of the same order as last year's Baltic Exchange bombing, which cost about £300m.

Sir Francis McWilliams, the Lord Mayor of London, said the "Stock Exchange will be working, Lloyd's [insurance market] will be working, the Baltic Exchange will be working, Liverpool Street station will be open and London underground will be working."

But a public call from Mr David Mellor, the former cabinet minister, for a review of security policy echoed the private view of many ministers and Conservative MPs that the counter-terrorist effort needs to be sharpened.

Mr John Major, the prime minister, plans to use a speech this morning to the annual meeting of the EBRD to underline his government's determination not to bow to terrorism. The prime minister will also stress that the government will intensify its efforts to improve security against further attacks.

Picture Colin Beere

Shattered interior of the Mitsubishi Bank building after the Irish Republican Army detonated a tonne of explosive in the heart of London

Major under pressure from MPs as thousands of workers seek alternative sites for offices

The government signalled last night that it was ready to pick up most of the bill for the devastation. Mr Norman Lamont, the chancellor of the exchequer, sought to underpin confidence in London's position by emphasising that the government was "playing its part" by acting as reinsurer of last resort against terrorist attacks.

Mr Lamont, who is hosting the annual meeting of the European Bank for Reconstruction and Development, said: "I have every confidence that business will continue to locate here and work here successfully. To do otherwise would be to succumb to terrorism".

That message was echoed in private talks yesterday between Sir Francis and Mr Major, who indicated that the government would stick to its commitment to underwrite the insurance costs, even though legislation to set up such arrangements has not yet been passed by the House of Commons, the UK lower house.

Mr Major has invited the Lord Mayor to another meeting this week in Downing Street to discuss further action to tighten security in the City.

In the City, officials said at least two buildings would be demolished and another 20 would need important structural repairs. One man died and 44 were wounded in the explosion on Saturday, for which the IRA formally claimed responsibility on Sunday afternoon. The dead man was Mr Ed Henty, a News of the World photographer.

An area around the site of the bomb outside the church of St Ethelburga the Virgin in Bishopsgate was still sealed off late yesterday as experts searched for evidence and engineers examined the safety of the buildings.

Police said warning calls came into newspapers between 9.20am and 10.05am on Saturday. An officer at the scene yesterday admitted there was little the police could do about the suspect pick-up truck before the blast except clear the area. "All we could do was evacuate the area," he said.

The blast affected a wider area than the bombing at the Baltic Exchange in April last year.

Background, Pages 6,7
Editorial comment, Page 15

Spirit of the blitz returns to the City

By Richard Donkin and Peter John in London

THE SPIRIT of the blitz returned to the City of London yesterday as an army of contractors' lorries queued at first light down London Wall, waiting to help repair the damage caused by the latest terrorist attack.

"It was like the troops waiting to embark on D-Day," said a Guildhall official. Platoons of glaziers had started out for the City before first light.

By 7.00am, as key holders moved among the rubble and police cordons in the drizzle, about 200 contractors were waiting at the Guildhall. City landlords were on hand offering office space to those displaced by the blast. Two hours later the crowd had swelled to 600.

Inside the Lord Mayor was telling the world that while the pictures told a story of devastation the spirit of London would beat the Irish Republican Army. Throughout the day he held the line.

At St Paul's Cathedral the Dean, the Rev Eric Evans, was moved to draw an historical metaphor: "This great city has faced plague, pestilence, fire and the blitz and it has won through. It will do so again and the IRA have no more hope of killing the spirit of London and its people than Hitler had."

Many of the victims were cared for at St Bartholomew's Hospital. Few could resist reflecting that if its history is abruptly ended by government closure the City may indeed lose *a vital amenity which has served* it through many wars.

In St Botolph's Churchyard spring blossom, blown from trees by the blast, mingled with shards of glass. Its leaded windows were bowed, and its heavy doors cracked, but the church had survived.

St Botolph's was silent, but a few hundred yards away the bells rang out for morning service at St Michael Cornhill, one of the City's Wren Churches which suffered damage to some of its stained glass windows.

The Rev David Burton Evans, the rector, had guided his choir and congregation under the police tapes. The churchgoers,

Continued on Page 16

Yeltsin heads for qualified win in Russian referendum

By John Lloyd and Leyla Boulton in Moscow

EARLY indications from the Russian referendum last night suggested President Boris Yeltsin could achieve a qualified victory in his effort to win a mandate for sweeping constitutional and economic reform.

The results are certain to reactivate, in heightened form, the struggle between the president and the conservative-dominated parliament as each interprets the referendum differently. If the early results are confirmed, Mr Yeltsin will claim a mandate for change, while parliament will insist that his failure to win the majority of the 106m electorate has deprived him of authority for radical action on any issue.

A Russian television exit poll of 2,400 people in 16 cities across the country showed Mr Yeltsin winning 75 per cent of the vote on the question of confidence in the president.

The first results, from the Koryak autonomous district, from the city of Magadan and from the town of Anadyr, all in the far east, showed about 70 per cent voting *Da* to the first question on trust in the president, the one which Mr Yeltsin had identifed as the most important to him. However, there were lower majorities supporting economic reform, the second question.

At the same time, high percentages voted for fresh elections to parliament – a vote which, under last week's decision of the constitutional court, requires a majority of the total electorate to be valid. In the Magadan results, 60 per cent of the electorate voted for elections, in the Koryak district 53 per cent and in Anadyr just under 50 per cent.

Relatively low votes were recorded supporting an early presidential election, a vote which also requires 50 per cent-plus of the total electorate and on which the president's supporters - though not Mr Yeltsin himself - had advised a *Nyet*.

The turnout was reported by local representatives of the president to be averaging 60 per cent or a little over – not high by Russian standards, but higher than feared by some of the president's aides, especially in good weather which tempted many to their country houses. By mid-afternoon it was clear that more than 50 per cent had voted – the qualifying mark for the referendum to be valid.

The lowest turnout – of 20 per cent by early evening – was recorded in the autonomous republic of Tatarstan.

Voting stations appear to have been provided across the vast Russian landmass, but there were complaints of violations from the president's side. The Public Headquarters for the Referendum, a pro-presidential organisation, alleged that voting stations had remained closed in the city of Chelyabinsk east of Moscow until noon rather than opening as ordered at 7am and that copies of the fiercely anti-Yeltsin Sovyetskaya Rossiya daily, with instructions to vote against the president, had been placed in some districts' polling booths.

In the city of Tula to the south, international observers were denied access to the stations.

Mr Yeltsin, in an eve-of-poll address on television, stressed the importance of the poll when he said that the referendum was "our chance to peacefully and lawfully strengthen the state" and promised economic decrees aimed at cutting the flood of credits, laying the basis for private property and safeguarding Russia's interests.

Muscovites back Yeltsin, Page 2

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Muscovites back Yeltsin at the polls

By Edward Balls and Andrew Gowers in Moscow

RUSSIA: REFERENDUM

AT THE headquarters of the Writers Union of the USSR – alias polling station number 3 in Moscow's Krasnopresenski district – they were doing a brisk trade yesterday lunchtime. Of the 3,000 voters registered for the area, 500 had trooped in from the spring sunshine during the 5½ hours since polls opened. An informal survey suggests they were overwhelmingly voting Yes to Yeltsin.

Pavel Kozhen, first voter of the day, anticipated the emerging trend in his answers to the main ballot questions: yes to Yeltsin, yes to his economic reforms, no to pre-term presidential elections, and yes to parliamentary elections – in the words of the campaign slogan, da, da, niet, da.

Nina Malachkova, an 83-year-old "veteran of labour" from Soviet days and an official poll observer, had been at station 3 since 6.30 am. Chivvying dawdling voters in slippers and housecoat, she had no doubt about how they should vote. "My whole family is united in support of Yeltsin and reform, and so is a majority of people in Moscow. Life is very hard, but most people know that without these reforms it would be worse."

Moscow is not typical, not least because its voters have been under a constant barrage of referendum propaganda. But street interviews yesterday revealed an interest in, and understanding of, the referendum that seemed to belie the image of the post-Soviet citizen as downtrodden and apathetic.

At Izmailovo market, a sprawling bazaar in the shadow of a sports stadium on the outskirts of Moscow, lunchtime buying and selling was keeping many from the polling booths. But all the traders surveyed had voted or intended to.

Volodya Rusin, 27, a caretaker during the week but a hawker of Soviet memorabilia at the weekend, was for Yeltsin, although his support for the president was less than enthusiastic. "They used to call what I am doing speculation," he said. "If Yeltsin loses, communism will come back and we'll have to stop trading. If Yeltsin wins, at least things won't get any worse."

Viktor Sensov, a journalist and bookseller, had voted for Yeltsin but against his policies. "We are against the parliament, but we are concerned about Yeltsin," he said. "He is a man with courage but without policies."

Tatyana Sultanova, another bookseller, refused to endorse either the president or his parliamentary opponents but voted for new elections for both. "I am against all of them, because all they do is help themselves. I want young and clever people to enter politics."

But for the young, Yeltsin still seems to promise a better future. Slaking his thirst outside a cafe, Mikhail Borokov, 24, a worker in the Zil limousine plant, said: "Things will get better if Yeltsin wins, but it will take five to 10 years. Under communism young people couldn't breathe. But Yeltsin is giving everybody the chance to trade, to own land, to be free. Younger people believe in Yeltsin because they have time to wait."

'I voted yes to all the questions – that's what we're supposed to do, isn't it?'

By Gillian Tett in Tula

A Muscovite votes in front of a statue of Lenin, founder of the Soviet state

ELENA Leskova, a 26-year-old teacher from the Russian town of Tula, south of Moscow, stood in the polling station at school number 45 yesterday and gave a sheepish grin.

"Last week I thought I wouldn't vote. I'm fed up with politics," she said. "But today the weather isn't so good and we didn't go to our dacha, so in the end I voted for Yeltsin."

Judging from the scenes at the polling station in this industrial Russian city yesterday it appeared that Ms Leskova was not alone in her indecision. Although the turnout in the region had reached 50 per cent by mid-afternoon – the level needed nationally to render the first two questions on the referendum valid – there were signs of the apathy and uncertainty that surrounded the referendum, especially outside Moscow.

"Compared to before, the turnout is not very good. But it's better than we expected," said Ms Nadezhda Zabotina, head of the election committee at the Tulachermet factory, as she sat ticking off the voters on multi-coloured, hand-drawn charts. Like most polling stations the factory was playing music and selling cut-price snacks in an effort to attract the voters.

The expectation yesterday was that President Boris Yeltsin would receive a majority in this town, but not a large one.

Although he received a warm welcome here on a visit during his presidential campaign two years ago, support among the regional council and local factory directors has evaporated, in part because the town's many arms factories have suffered from cuts in defence spending.

Slightly over half the people questioned at polling stations yesterday said they had voted for Mr Yeltsin, some out of enthusiasm, others from habit. "I voted yes to all the questions – that's what we're supposed to do, isn't it?" said an 81-year-old pensioner, as she shuffled out of the polling station, clutching a pot of milk.

Further along the street a group of young soldiers said they too had mostly voted for Mr Yeltsin. But about a quarter said they had voted against him, with many others refusing to answer. "I voted against him because he has betrayed his promises and it's so hard to live on our student grants," said Sergei, 22, a student at the local engineering institute.

Against a background of rumours of attempted vote rigging, every voting paper had been signed in duplicate by the election committees, and the ballot boxes stamped with the old Soviet wax seal. Observers from the region's democratic movements and Russian Communist party were present at most stations.

Several US observers were also in attendance. But reflecting the political disputes now bubbling in the regions, the local election committee had refused to recognise them officially. "We don't want any foreign observers or journalists here. We have enough experience of running elections," said Mr Andrei Tuyarkin, chairman of the regional election committee.

However, the complexities of the vote, which required voters to deal with four separate pieces of paper, left many confused. "It's a very crude system," said Mrs Rufina Vitass, 65, who had arrived at a polling station with two other friends to vote for Mr Yeltsin. After receiving their ballot papers, they spread them out on a table and loudly argued over them for almost 10 minutes before agreeing on the "correct" answers.

Europeans look for US lead on Bosnia

By Lionel Barber in Middelfart

EC FOREIGN ministers left open the possibility of using military force against the Bosnian Serbs at the end of their two-day meeting at Hindsgavl Castle in Denmark, but made it clear they will exert that option with profound reluctance and only under pressure from the US.

Mr Niels Helveg Petersen, the Danish foreign minister who chaired the talks, echoed majority sentiment when he told a news conference yesterday that he remained unconvinced about the value of military intervention. "I have great difficulty in seeing the really positive aspect and why it would go a long way to solve the problem [in Yugoslavia]."

But Mr Petersen, a member of Denmark's Radical Liberal party, which has a strong pacifist streak, seemed unclear whether the tighter UN sanctions due to go into effect today would persuade the Bosnian Serbs to sign the Vance-Owen plan sponsored by the EC and UN.

After being reminded that Serbia-Montenegro – the rump republics of former Yugoslavia – had already been threatened with expulsion from all international organisations without obvious effect, Mr Petersen issued a correction. On April 30, a meeting of the United Nations Industrial Development Organisation was due to take place; and he for one was adamant that Serbia should not be allowed to attend.

Ministers insisted, but without great conviction, that the tighter sanctions approved by the UN a week ago would start to bite. They noted the raging inflation in Serbia, and the sharp fall in imports; and they pledged to enforce the sanctions more effectively – possibly through a "Super Co-ordinator" who could make the many international organisations such as the CSCE, West European Union, EC, and the United Nations work more efficiently. The most telling point, however, was that the EC/UN team had not had enough people to operate around the clock to block traffic on the Danube.

Tougher noises emanated from the French and British, who supply the bulk of the UN force in Bosnia. Mr Alain Juppe, the French foreign minister, said lifting the arms embargo against the Bosnian Moslems or supplying large numbers of ground forces were not acceptable; but France was ready to discuss tighter sanctions and possible selective air strikes.

Mr Douglas Hurd, UK foreign secretary, said air strikes needed to be consistent with international law, with due regard to UK troops and the overall UN humanitarian effort to supply besieged towns.

Despite their common reservations about military intervention, the French and British positions are blurred because London does not share Paris's desire for a new UN resolution. Partly, this reflects France's desire not to be marching to US orders; but it also suggests France believes there are political benefits in Russian support.

This week, Mr Warren Christopher, US secretary of state, or possibly Mr Reginald Bartholomew, the US special envoy, is expected in Europe for further consultations with the UK and France. He will discover an EC hesitant, divided and frustrated – and once again looking to the US for a lead.

Britain set on closer EC ties

By Lionel Barber

BRITAIN yesterday signalled that it intends to join its EC partners in closer European political and economic co-operation if Denmark rejects the Maastricht treaty in next month's referendum.

Mr Douglas Hurd, UK foreign secretary, made clear that there was no question of Britain joining Denmark outside the EC in the event of a second Danish "No".

Speaking in Denmark at the end of a two-day meeting of EC foreign ministers, Mr Hurd said if the Danes rejected Maastricht next month, the treaty would not proceed. But he added: "Of course, I am not saying we would not take part in further arrangements."

Mr Hurd's position echoed the UK government's recent enthusiastic pro-European line, which matches a growing confidence that the Tory Euro-sceptics are on the run and that the treaty is likely to be ratified at Westminster by the end of the summer.

Mr Hurd made clear yesterday that he expected the Danes to support the treaty in the May 18 referendum – a view supported by recent opinion polls showing a clear lead for the Yes campaign.

At the Edinburgh summit last December, France, Germany, Belgium and Spain all warned the UK and Denmark that failure to ratify Maastricht would prompt other countries to launch new treaty arrangements.

Mr Hurd's explicit commitment to closer European co-operation contrasts with a much more guarded approach to future EC treaty arrangements last year, when the UK suggested that it might not take part in a future EC effort to recreate or expand on Maastricht in the event of a Danish or British rejection.

Philip Stephens, Political Editor, adds: Mr John Major has made it clear that there could be no question of Britain pressing ahead with ratification of Maastricht if the Danes vote "no" on May 18.

But Mr Hurd's comments will nonetheless inflame the anger of the Tory Euro-sceptics. In the past the government has sought to limit the size of the Conservative rebellion against Maastricht by insisting that it would not allow the rest of the Community to leave Denmark behind.

Call for model enterprises

By Charles Leadbeater in Tokyo

EASTERN European states should create model enterprises to serve as symbols of economic restructuring, a meeting of trade and industry ministers from eastern and western Europe, the US and Japan agreed yesterday.

The proposal to create enterprises as a model for capitalist restructuring came from Mr Yoshiro Mori, Japanese trade and industry minister.

The conference, the second of ministers from the Group of Seven industrialised countries and states of the former Soviet Union and eastern Europe, discussed measures needed to attract foreign investment to eastern Europe, promote privatisation, develop legal, financial and accountancy systems, encourage the growth of small businesses and help defence factories convert to civilian production.

The proposal for model enterprises will be studied by working groups over the next few months, before the third ministerial conference next year, to be held in Warsaw.

The plan is to draw up comprehensive restructuring plans from which other enterprises could learn. The plans would cover every aspect of the enterprise, from production methods and product mix to marketing, sales, finance and foreign strategy.

Western officials said there had been only limited progress to create the conditions to attract foreign direct investment.

Turn gunmen into taxmen – EBRD

By Peter Norman, Economics Editor

THE COUNTRIES of eastern Europe and the former Soviet Union should retrain military personnel and surplus civil servants as tax collectors, to strengthen fiscal reform in the former Communist states, the European Bank for Reconstruction and Development says.

In its latest quarterly economic review, the bank identifies tax administration and legislation as two areas where the former communist countries must make improvements in their efforts to build market-oriented economies.

They "need to get their tax structures right early on. Otherwise it will be difficult to tackle tax evasion later," says Mr Mario Sarcinelli, EBRD vice president responsible for development banking.

The EBRD says present tax systems are "particularly unsatisfactory" in their treatment of corporate profits, with accounting rules often resulting in an excessive tax burden.

The EBRD says the tax burden is excessive in many eastern and central European countries, and says the need to encourage entrepreneurship and capital accumulation in the new market economies argues for a low level of tax.

Although the EBRD report gives clear advice on the need to improve the tax gathering system, it is less explicit about the need for lower state spending. This reflects a lively debate within the bank over the merits and demerits of sharp spending cuts in the former Communist states.

While the EBRD says efforts should be made to reduce state spending and taxes in parallel, it also notes that countries in central and eastern Europe have large elderly populations and rapidly growing unemployment that create a need for big social transfers. Although cuts in social security and welfare payments might be achieved by a better targeting of benefits, it warns it would be difficult to reduce tax rates in the new market economies.

CURRENT ACCOUNT PROBLEMS IN E EUROPE

The Czech Republic, Slovakia, Hungary, Poland and Romania experienced a large deterioration in their current account balance of payments towards the end of last year, according to the European Bank for Reconstruction and Development, Peter Norman writes.

The deterioration, which has clearly concerned officials at the bank, reflects a sharp and unexpected decline in export growth and higher imports of consumer rather than investment goods.

In its latest quarterly review, the EBRD says the fall in exports may reflect temporary factors, including a drought, but warns that more lasting factors, such as structural difficulties in agriculture, increased budget deficits, EC import quotas and lower personal savings, could also be involved.

Privatisation before restructuring, says bank

By Anthony Robinson

PRIVATISATION and the encouragement of new small and medium enterprises and greenfield investments should take priority over attempts to restructure state-owned companies in eastern Europe, the EBRD has concluded from the first three years' experience of transforming centrally planned into market economies.

Access to export markets was also critical to the success of economic transformation in the region, Mr Guy de Selliers, the EBRD's deputy head of merchant banking, told a seminar on privatisation and restructuring attended by heads of privatisation agencies throughout the region.

Mr Lajos Csepi, head of the Hungarian state property agency, said that with competition for foreign investment from all the former Soviet states, and many of the best companies already privatised, Hungary's favourable treatment by foreign investors was over.

Future privatisation would have to rely more on domestic savings and "alleviated terms of sale". To broaden the scope of privatisation Hungary planned a mass privatisation programme (MPP) next year to mobilise small savers. It will also offer leasing, instalment payments, subsidised credits and "all reasonable ways" of encouraging domestic entrepreneurs to takeover the hundreds of less attractive Hungarian companies still awaiting either privatisation or liquidation.

Germany's Treuhand privatisation agency, endowed with billions of marks to facilitate the process, found it "easier to get financial assistance than to find internationally recognised managers experienced in turning round companies to work for a short time in eastern Germany", said Ms Birgit Breuel, Treuhand president.

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Scalfaro steps up hunt for new PM

By Robert Graham in Rome

ITALIAN President Oscar Luigi Scalfaro yesterday put strong pressure on the leaders of the main parties to co-operate in forming a new government as quickly as possible.

After three days of consultations with all 16 parties represented in parliament, there was little sign that any of the leaders had shifted from entrenched positions. This was despite Mr Scalfaro's aim to have a new government agreed at the latest by today.

Mr Scalfaro alluded to widely contrasting views when he wound up his formal consultations yesterday. "The difficulties are there for all to see, and everyone must confront them with absolute clarity and calm," he said. It is the first time that an Italian president has assumed such a direct role in forming a new government.

Mr Giuliano Amato, the Socialist prime minister, handed in the resignation of his four-party coalition last Thursday following the overwhelming referendum vote in favour of electoral reform. However, Mr Scalfaro has yet formally to accept the government's resignation.

In the search for a new prime minister, the Christian Democrats have refused to drop their objections to the candidature of Mr Giorgio Napolitano, the highly respected former communist who is leader of the Chamber of Deputies. Mr Napolitano has been proposed by the Party of the Democratic Left (PDS) to head a non-partisan "institutional" government.

The Christian Democrats say they favour a government with a clear political base in parliament rather than relying on the prestige of a bipartisan figure to secure a majority.

Mr Mino Martinazzoli, the Christian Democrat leader, has also been unenthusiastic about the candidature of Mr Mario Segni, the referendum movement leader who is backed by the Lombard League and as an alternative by the PDS.

Among possible compromise candidates yesterday were the names of Mr Amato himself; Mr Leopoldo Elia, a Christian Democrat senator and former president of the constitutional court; Mr Romano Prodi, the distinguished economist and former chairman of Iri, the state holding company; and Mr Carlo Azeglio Ciampi, the veteran governor of the Bank of Italy.

Stakes raised in Andreotti hearing

By Robert Graham

MR Giulio Andreotti has raised the stakes in his battle with magistrates seeking to remove his parliamentary immunity so that he can be questioned for allegedly consorting with the Mafia.

By accusing the Palermo magistrates of conspiring to discredit him with cooked evidence from former Mafia "supergrasses", the Italian life senator and former prime minister is no longer merely protecting his own reputation. He has placed the 23-member Senate commission hearing his case in an increasingly awkward position.

The hearing, which began on April 14, has turned into an inquisition that can now reach one of only two conclusions. Either his parliamentary colleagues regard him as "economical with the truth" or they reject the evidence of the Palermo magistrates.

If Mr Andreotti loses his immunity, parliament will be seen to have deserted Italy's best known politician and confirmed the links long suspected at the highest level between the Christian Democrat party and the Mafia.

If the decision goes the other way the public will be convinced that Mr Andreotti is hiding behind the unacceptable device of parliamentary immunity, and his own party will be the chief loser.

More important, any rebuff to the Palermo judiciary will undermine the state campaign against the Mafia. Mr Giancarlo Caselli, the Palermo attorney-general, was brought in from Turin last year after the killings of the two leading anti-Mafia magistrates, Mr Giovanni Falcone and Mr Paolo Borsellino, to deal decisively with the Sicilian Mafia, Cosa Nostra.

Any rebuff to the Palermo judiciary will undermine state's anti-Mafia campaign

He has put behind bars several top figures in Sicily's organised crime network, including Mr "Toto" Riina, the alleged "boss of bosses". The key has been the use of former Mafia figures who have agreed to give evidence under plea-bargaining programmes – the *pentiti* (supergrasses). Their evidence has led to the allegations against Mr Andreotti.

The evidence against Mr Andreotti comes from three main sources – Mr Tommaso Buscetta, Mr Francesco Mannino Mannoia and Mr Baldassare Di Maggio. Both Mr Buscetta and Mr Mannoia are confessed senior members of Cosa Nostra living in the US under witness protection programmes. Their evidence has been central to prosecution cases in all the main Mafia trials of the past seven years: evidence accepted up to, and including, the appeal court. Mr Di Maggio has been co-operating with the Italian authorities for less than six months but his evidence as former chauffeur to Mr Riina led to the latter's capture after 23 years on the run.

All three are fundamental to Mr Riina's prosecution on charges including multiple murder. Thus if the allegations against Mr Andreotti are dismissed, doubts must be sown about prior evidence by these *pentiti*. The system of *pentiti* – the most effective means of prosecuting the Mafia – is at risk.

The thrust of the accusations against Mr Andreotti is that he was for long the Mafia's point of reference in Rome. The specific allegations range from his being party to the decision by the Sicilian Mafia to the 1982 murder of General Carlo Alberto della Chiesa, the Palermo chief of police, to his links with Mr Salvatore Lima, the Euro-MP murdered last year by the Mafia and now acknowledged in a report by the parliamentary anti-Mafia commission to be associated with Cosa Nostra.

To these accusations last week came Mr Di Maggio's testimony of being present when Mr Andreotti met Mr Riina, Mr Lima and other Mafia leaders in Palermo in September 1988. Mr Andreotti has belittled the evidence as either hearsay or unreliable.

On Thursday his allies on the Senate commission (a majority who reflect faithfully the composition of the outgoing government coalition) secured a further delay of five days. The excuse was the need to know the names of individuals left blank by Palermo magistrates in the latest set of documents supplied this week. The names had been omitted to protect the secrecy of other anti-Mafia investigations in progress. But this delay has merely heightened the atmosphere of confrontation.

Emu star unruffled by market strains

Duisenberg says currency union plans are on track, writes Peter Marsh

WITH an easy manner, rugged looks and a shock of white hair, Mr Wim Duisenberg has the appearance of an ageing film star. As a leading light in the European soap opera of moves to economic and monetary union (Emu), he will have plenty of opportunity to be centre stage in the months ahead.


Wim Duisenberg: apostle of open government

Chairman of the European Community's committee of central bank governors and head of the Dutch central bank, Mr Duisenberg appears unruffled by recent currency market strains. He welcomes last week's cut in interest rates by the Bundesbank as giving Europe a "psychological boost".

Mr Duisenberg, who is today giving his views about the European economy at the launch in Amsterdam of the Dutch bank's annual report, reckons plans for European monetary union are on track, even though he believes only a relatively small group of "core" EC nations may join the first phase of full currency union with one central bank.

The 57-year-old economist stands out in the somewhat staid central-banking community for his colourful and direct comments. He is probably one of the leading candidates for the future presidency of a pan-European central bank, assuming it is set up according to the Maastricht schedule towards the end of this decade.

Mr Duisenberg once described the Bundesbank as being "like whipped cream: the more you beat it the harder it gets". Last week he ruffled feathers in London by criticising the UK government for not playing by the rules during its short-lived tenure in the Exchange Rate Mechanism.

An apostle of open government, who was called in by a Labour-led Dutch government in the 1970s for a five-year spell as finance minister, Mr Duisenberg has for some time invited 10,000 school or university students a year into the Dutch central bank to introduce them to high finance. He took over as bank governor 12 years ago and is looking forward to a third seven-year term.

As for Emu, he is playing his part by presiding over a mass of technical work by the EC's central banks, including the design for a pan-European banknote, in preparation for this event. Next month in Denmark he will present to EC finance ministers an account drawn by the governors' committee of what went wrong during the currency crisis between last September and early this year.

He looks only slightly perturbed when asked to recall these events, which pushed the UK and Italy out of the ERM.

The central bank chief says the pound is welcome back into the ERM, even though if Britain wants to succeed in a future re-entry it would do well to follow the lead of Germany and Holland by making the Bank of England rather than government ministers responsible for monetary policy.

Mr Duisenberg gives the impression of being an Anglophile – he once wrote a thesis on the UK's balance of payments – and says he sympathises with Britain's predicament. Because of the large mortgage debts among householders and the preponderance of variable-rate rather than fixed-rate borrowing, decisions about short-term interest rates have much bigger political implications in Britain than in most other European nations.

Even so, an independent Bank would be a vital step in increasing financial markets' confidence.

He believes that as a trading nation Britain stands to gain by being part of a single-currency area, even with the inevitable loss of sovereignty and historical wrench. "The Netherlands once had an empire too," he quips.

Morocco ferry link postponed

By Tom Burns

CENARGO, the UK marine group, has postponed the inauguration of its ferry service linking the Moroccan port of Nador and Almeria in south-east Spain to allow time for an agreement between the Rabat and the Madrid governments over the new shipping link.

Mr Michael Hendry, Cenargo's chairman, said yesterday the service, which was scheduled to start today in defiance of the Spanish authorities, would commence in 10 days time. He expected Morocco and Spain to amend next week an existing bilateral arrangement that shares out the ferry services between the two countries.

Cenargo claimed it was legally entitled to operate the ferry under the terms of the EC's single market deregulation of cabotage between Community members and third nations. Spain however, insists changes must be introduced to their agreement with Morocco before the the EC's directive can be implemented.

Peseta remains vulnerable to further attacks

By Tom Burns in Madrid

A BELIEF in the international money markets that Spain's foreign exchange reserves have been drastically depleted is likely to prompt fresh attacks on the peseta, now the weakest currency inside the European exchange rate mechanism.

The reserves are understood by traders to have fallen as low as $20bn, well down on the $50.4bn recorded at the end of the 1992 and below the $30bn level considered by the Finance Ministry to be the minimum amount needed to defend the peseta.

In addition to forcing up interbank rates the Bank of Spain is thought to have spent around $10bn of its reserves in the past few days to avert a devaluation. Last Friday, the peseta dropped to an historic low in the ERM of Pta74.00 against the DM.

Mr Carlos Solchaga, finance minister, pledged at the weekend to keep the peseta within the mechanism. "Our friends and allies in the EMS ... are convinced that exchange rate stability is good for the peseta and for the EMS and that the actual level (of the peseta) is realistic," Mr Solchaga said.

But the Bank of Spain, which earlier this year intervened when the peseta weakened to Pta72 against the D-Mark, now appears under pressure from the markets to accept a rate below the peseta's central parity. Analysts say the peseta could be pushed further down on its 6 per cent ERM band to Pta75-76 to the D-Mark, just off its Pta77 floor.

The attacks on the currency are being fuelled by Spain's recession and by predictions of political uncertainty after general elections on June 6. An opinion poll published yesterday by Barcelona's La Vanguardia newspaper put the centre right Partido Popular party marginally ahead of the ruling socialists but well short of gaining a governing majority.

Union leaders urge E Germans to vote for strike

By Quentin Peel in Bonn

TRADE UNION leaders across Germany called on steel and engineering workers in the eastern states to vote for all-out strike action today to protect their pay deal for rapid wage equalisation with the west.

They warned that cancellation of the contract could undermine nationwide collective bargaining in west Germany as well as in the east.

The outcome of the strike ballot in the states of Saxony and Mecklenburg-Vorpommern over the next three days is in the balance, with a 75 per cent vote of all members needed to go ahead with the action.

If they vote in favour, the giant IG Metall union is expected to launch the strike from May 3, with a warning that it could last for months.

Employers in the ailing eastern steel and engineering industries say that 100,000 workers out of some 320,000 could lose their jobs if the strike goes ahead.

They are refusing to pay more than a 9 per cent pay rise from April 1, compared with a deal agreed two years ago to pay a 26 per cent increase on the wage rates existing then – equivalent to a 15.5 per cent increase on current rates.

Mr Franz Steinkühler, leader of IG Metall, told a rally of some 60,000 workers in Leipzig on Saturday that allowing the employers to abandon their pay deal in east Germany would threaten collective bargaining in the whole country.

"We did not vote for reunification [of Germany] just in order to allow the employers to turn east Germany into a cheap-wage colony," he said.

However he left a hint of compromise: if the employers would cancel their legal move to abrogate the eastern pay deal, the union would immediately return to the negotiating table and discuss the timescale of wage equalisation, he said in an interview with the Bild am Sonntag newspaper.

Export hopes ease industrial gloom

By Quentin Peel

THE GLOOM in west German industry eased marginally in March, thanks to hopes of higher export orders, although both production and order books continue to shrink.

That is the main conclusion of the monthly report on the German business mood published by the Munich-based Ifo institute.

In contrast, the more optimistic mood of those manufacturers still in business in east Germany has worsened, with both the current business situation, and the outlook for the next six months, seen to be growing less favourable.

The average level of order books in west German industry has dropped from 2.6 to 2.5 months' production since last December, while capacity utilisation has slipped from 80.5 to 78.5 per cent, the institute reports.

Production plans for the coming three months in the west are being sharply reduced, but the expectation is for a continuing slowdown in price rises too.

In primary product industries, such as chemicals, paper and cellulose manufacturers, the decline in pessimism was also reported, although not directly related to exports.

Investment goods producers are more sanguine about export opportunities later in the year, although the overall mood remains extremely pessimistic. Orders remained at the same level as February.

As for consumer durables, there was a stabilisation in orders for electrical goods, but a continuing decline in car orders, according to survey participants.

UK warns US against bilateral trade accords

By Charles Leadbeater in Tokyo

THE BRITISH government yesterday warned the Clinton administration in the US that it would endanger the future of the free trade system if it were to press for bilateral agreements to guarantee shares of foreign markets in specific products.

Mr Neil Hamilton, UK trade minister, delivered the warning during a meeting in Tokyo with Mr Ron Brown, US commerce secretary. They were in Tokyo at a meeting of trade and industry ministers from eastern Europe and the Group of Seven leading industrialised countries to plan assistance for industrial restructuring in eastern Europe.

Mr Hamilton said he told Mr Brown the UK was opposed to "the balkanisation of trade by bilateral agreements". The minister added: "It is clearly unhelpful to the Gatt world trade talks if countries as powerful as the US and Japan go off and negotiate bilateral agreements. It sets a very bad precedent which might encourage others to follow suit."

The British concerns were raised by recent statements from the US administration that it will seek trade agreements with Japan which would deliver measurable progress in opening Japanese markets.

The US and Japan are due to finalise plans for a revised framework for their trade relations in talks over the next three months.

The US is widely expected to press for agreements to deliver a specific share of the Japanese market in key products such as supercomputers.

Mr Hamilton said: "Mr Brown was at pains to say that the US was not seeking Y per cent of X market – if that is the US policy, we are happy to support such a view."

He said US irritation with the closed character of parts of the Japanese market was understandable, but should not lead to responses which would set bad precedents for the international trading system.

Beijing to press for Gatt support

By Tony Walker in Beijing

CHINA will press the European Community this week to support its entry to the General Agreement on Tariffs and Trade, arguing that orderly international trading would be better served by its membership.

Mrs Wu Yi, the new minister of China's powerful ministry of foreign trade and economic co-operation, will head the country's team in the 12th session of the China-EC joint commission on trade and economic co-operation.

The Sino-EC meeting assumes more than usual importance this year because of the Gatt issue, and because of continuing European misgivings over China's large trade surplus of $13bn with EC member states.

Speaking on the eve of her departure for Europe, Mrs Wu called on the EC to be more understanding of China as a developing country with low average per capita income. "We still need international understanding and support, including that from the EC," she told China Daily.

Beijing has been disappointed by the tough US attitude to its Gatt entry. The US is making the running on resolving details of Chinese access to the world trading body. One of Mrs Wu's aims will be to loosen EC support for the US position, which China believes is partly dictated by US domestic concerns.

Talks over Hong Kong will resume this week

By Tony Walker in Beijing

BRITAIN and China have agreed to resume talks this week on the vexed Hong Kong issue, having concluded a first round at the weekend.

Both sides are maintaining a virtual news black-out on any progress, with spokesmen non-committal on details since the first round resumed on Thursday in Beijing. Britain's chief negotiator, Sir Robin McLaren, ambassador to China, said after negotiations had concluded on Saturday: "We're working hard and there's hard work ahead of us, too."

The talks – over plans by Mr Chris Patten, Hong Kong governor, to broaden the scope for popular participation in elections leading to China's takeover of Hong Kong in 1997 – could last for weeks or months.

Beijing has repeatedly denounced Mr Patten's plan, demanding his recall and referring to him in its official press as a prostitute and a petty thief. China claims that Mr Patten's plan for elections in 1995 runs counter to an agreement reached with London over arrangements for transition to Chinese rule. Beijing officials have charged Britain with a breach of faith.

In Hong Kong, Mr Patten commented: "Both sides know there are very difficult issues we've got to resolve, but there has been a constructive approach. Both sides must be glad that the talks have started in such a sensible and balanced and businesslike way. I hope that we will be able to see progress over the next days and weeks."

In Beijing, a Chinese official was quoted by the official New China news agency as saying that China hoped Britain would "return to the correct path" over Hong Kong.

The Aids memorial quilt stretches along the Mall in Washington, where up to a million marchers were expected to rally yesterday to demand equal rights for US homosexuals. President Bill Clinton sent a letter to be read to the crowd, but his decision not to attend angered many gay rights activists, who claim that he has backed away from some of his electoral campaign promises to them. "I believe that, if a million saxophone players had come to Washington today, Bill would be here," said one speaker.

IMF may seek to expand reserves

By Michael Prowse in Washington

MR MICHEL Camdessus, managing director of the International Monetary Fund, is expected to press finance ministers at this week's IMF/World Bank meeting in Washington to support moves to expand the foreign exchange reserves of former communist and developing countries.

The IMF believes world trade is being artificially restricted because at least 40 countries have severe shortages of reserves.

It is pressing for a new allocation of special drawing rights, an international reserve asset equivalent to a basket of the leading currencies.

A senior IMF official said a new issue of SDR36bn (£32.5bn), 10 per cent of the expected demand for reserves resulting from increased global economic activity in 1992-1996, was required.

He said rich countries, which faced no shortage of reserves, should hand over a portion of any new SDR allocation to former communist and developing countries as loans or grants.

The IMF would oversee this process and impose conditions so that the reserves were used responsibly.

The official said opposition by many finance ministers to a new SDR issue – in effect an increase in global liquidity – made no sense because inflationary pressures were at their lowest for 30 years. Ministers had agreed an increase in the 1980s when inflation was higher.

The share of SDRs in total world reserves had fallen from about 5 per cent in the early 1980s to below 2 per cent.

Funerals raise tension again

Patti Waldmeir on impatience with political talks in South Africa

SOUTH Africa yesterday braced itself for another round of potential violence at political funerals, after the death by natural causes of Mr Oliver Tambo, elder statesman of the African National Congress and patron of the liberation struggle.

He had been in failing health after a stroke in 1989 and was no longer active in ANC policy-making, but remained a potent symbol of resistance to apartheid. ANC officials said they believed his funeral would be as large as that for Mr Chris Hani, whose violent death two weeks ago provoked a major political crisis in South Africa.

Within the next week to 10 days, South Africa will bury two political leaders – Mr Tambo (the date of whose funeral has yet to be announced) and Mr Andries Treurnicht of the right-wing Conservative party, who is to be buried tomorrow at a large-scale ceremony in Pretoria.

Tambo: ANC father figure

On Wednesday, a mass funeral will be held, at Sebokeng township near Johannesburg, for the 19 victims of a massacre on the eve of Mr Hani's funeral last week. A funeral will also take place for a TV reporter of the state-run South African Broadcasting Corporation, murdered in Sharpeville township at the weekend.

The funerals are likely to launch new tension, as multi-party negotiations resume today for a new constitution. Mr Nelson Mandela, ANC leader, speaking to mark Mr Tambo's death, stressed the impatience of young ANC members at the slowness of negotiations over a political settlement in South Africa. "Time is not on our side. A date for elections must be set now," he said.

ANC and government negotiators have committed themselves to push for agreement in the multi-party negotiations within six weeks, this to include an election date, the installation of a multi-party transitional executive council to advise the government before multi-racial elections, an interim constitution until elections, and principles for a future constitution. This last would include multi-party power sharing until the end of the century.

However, while the basis for agreement exists between the two main parties to the talks, others in the 26-party forum vehemently oppose certain aspects.

Mr Tambo, though his health kept him away from the negotiations, is credited with helping to engineer a shift in ANC policy in 1989 – the movement opted to negotiate rather than fight for an end to apartheid. On the edge of tears after his death on Saturday, Mr Mandela called him "my brother, my comrade, my friend and my colleague".

● Mr Charles Nqakula, a former journalist, has been appointed general secretary of the South African communist party to succeed Chris Hani.

Clinton fails to join in Barclays tax suit

By George Graham in Washington

PRESIDENT Bill Clinton has broken with previous US government policy by deciding not to file a brief in support of Barclays Bank's suit against the California worldwide unitary tax law.

Past administrations have always argued with Barclays that California's efforts to tax companies on a percentage of their worldwide profits, rather than on the profits they actually make within the state, interfered with the federal government's constitutional prerogative to "regulate commerce with foreign nations".

The UK government and 19 other industrialised countries have filed arguments against the California tax, which runs against the bilateral tax treaties between the US and many other nations. British MPs are expected to argue for retaliation, as permitted by a 1985 UK law, during the second reading of the finance bill in parliament today.

The Barclays case has been rumbling through the state and federal courts for more than a decade. California's state supreme court ruled against Barclays last year and the issue may be approaching its final round in the US Supreme Court.

Brazil launches plan to stimulate growth

By Christina Lamb in Rio de Janeiro

BRAZIL is making yet another attempt to stabilise its battered economy with an emergency plan of spending cuts and acceleration of its privatisation programme. It aims – more controversially – to stimulate 3.5 per cent growth this year through a return to subsidies and lowering interest rates.

This long-awaited first plan of the six-month-old government of President Itamar Franco was announced at a cabinet meeting on Saturday, broadcast live on television.

The plan, Brazil's sixth in seven years, is the first to involve no shock measures such as freezing prices or bank accounts.

The plan concentrates more on spending than saving, and is unclear on how to reduce inflation, now 30 per cent a month. Mr Franco's address did not mention inflation as a priority, though finance ministry officials say they hope to reduce inflation to 17 per cent a month by December.

The plan will be presented to the International Monetary Fund this week by Mr Eliseu Resende, Brazil's third finance minister in the last six months. Analysts doubt that it will be sufficient to achieve a new IMF accord in the near future.

INTERNATIONAL ECONOMIC INDICATORS: NATIONAL ACCOUNTS

Figures for GDP/GNP are in billions of European currency units (Ecu). The first breakdown is in current prices and the second shows growth rates in the constant price series.

CURRENT PRICES	UNITED STATES Gross Domestic Product	Private Cons. (as a % of GDP)	Private Invest.	Govt. Spend.	Net Exports	JAPAN Gross National Product	Private Cons. (as a % of GNP)	Total Invest.	Govt. Cons.	Net Exports	GERMANY Gross National Product	Private Cons. (as a % of GNP)	Total Invest.	Govt. Cons.	Net Exports
1985	5,298.1	66.0	17.7	19.1	−2.9	1,780.2	58.7	28.0	9.5	3.7	825.4	56.5	19.5	19.9	4.2
1986	4,339.9	66.8	16.8	19.5	−3.1	2,033.3	58.4	27.7	9.6	4.3	911.1	55.1	19.5	19.7	5.8
1987	3,933.7	67.2	16.5	19.4	−3.2	2,102.2	58.4	28.4	9.4	3.8	967.5	55.3	19.2	19.8	5.6
1988	4,141.1	67.3	16.2	18.7	−2.2	2,485.0	57.5	30.4	9.1	2.9	1,015.6	54.7	20.0	19.6	5.8
1989	4,766.1	67.1	15.8	18.6	−1.5	2,625.2	57.3	31.5	9.1	2.1	1,087.1	54.4	20.6	18.6	6.4
1990	4,332.8	67.9	14.5	18.9	−1.2	2,322.0	57.0	32.5	9.0	1.4	1,189.2	54.1	21.0	18.2	6.7
1991	4,581.9	68.5	12.7	18.2	−0.4	2,726.2	56.2	32.2	9.1	2.5	1,287.1	53.9	21.2	17.8	7.1
1992	4,592.6	68.8	12.9	18.0	−0.5	2,859.6	56.5	30.9	9.3	3.3	1,372.1	53.8	21.2	18.0	6.9
1st qtr.1992	4,626.7	68.9	12.4	18.9	−0.1	2,868.9	56.5	31.4	9.1	3.0	1,342.7	53.6	21.6	17.8	6.6
2nd qtr.1992	4,641.1	68.7	13.1	18.8	−0.6	2,850.2	56.1	31.3	9.3	3.3	1,355.6	53.3	21.9	17.8	7.0
3rd qtr.1992	4,332.8	68.7	13.1	18.8	−0.6	2,712.3	56.9	30.6	9.3	3.2	1,373.2	53.6	20.5	18.3	7.5
4th qtr.1992	4,804.8	69.0	13.2	18.5	−0.7	3,025.5	56.4	30.2	9.6	3.8	1,418.7	54.7	20.6	18.2	6.5

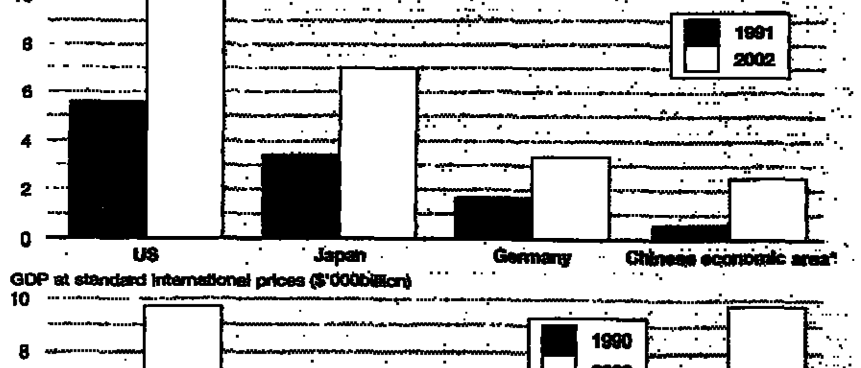
CONSTANT PRICES (% growth in)	US GDP	Cons.	Invest.	Govt.	Exports	Japan GNP	Cons.	Invest.	Govt.	Exports	Germany GNP	Cons.	Invest.	Govt.	Exports
1985	3.2	4.4	−1.5	6.1	1.2	5.1	3.3	6.5	1.7	6.5	2.0	1.6	−1.0	2.1	7.6
1986	2.9	3.6	−1.5	5.2	6.6	2.7	3.4	4.3	4.5	−5.3	2.2	3.4	4.0	2.6	−0.1
1987	3.1	2.8	1.9	3.0	10.5	4.3	4.2	8.2	0.4	4.8	1.4	3.3	1.3	1.5	0.5
1988	3.9	3.6	3.2	0.6	15.8	6.3	5.2	14.2	2.2	10.7	3.7	2.7	7.2	2.2	5.6
1989	2.5	1.9	1.4	2.0	11.9	4.8	4.3	9.8	2.0	15.0	4.0	3.0	6.6	−1.6	11.9
1990	0.8	1.2	−5.7	2.8	8.1	4.8	4.0	7.9	1.9	10.6	5.0	5.3	7.0	2.3	11.7
1991	−1.2	−0.6	−10.6	1.2	5.8	4.1	2.2	3.8	1.7	4.8	3.6	3.6	4.3	0.5	12.6
1992	2.1	2.3	7.8	−0.3	6.3	1.5	1.8	−1.7	2.4	2.4	0.5	0.8	1.2	2.5	2.3
1st qtr.1992	1.6	2.0	3.5	−0.9	9.6	2.6	3.7	−0.3	0.6	3.6	1.2	0.5	6.9	3.3	3.2
2nd qtr.1992	1.6	1.5	8.9	−1.2	5.1	2.0	1.6	−0.3	2.4	3.3	1.0	−0.5	0.3	3.2	4.6
3rd qtr.1992	2.1	2.1	7.9	0.3	5.6	0.9	1.5	−3.4	3.8	1.3	0.0	1.5	−3.2	1.2	2.2
4th qtr.1992	3.1	3.4	9.8	0.4	4.8	0.6	0.3	−2.7	2.7	1.6	−0.2	1.9	1.1	1.7	−0.6

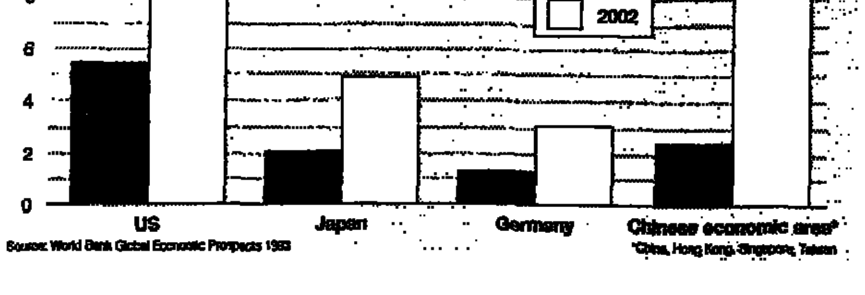
CURRENT PRICES	FRANCE Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest.	Govt. Cons.	Net Exports	ITALY Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest.	Govt. Cons.	Net Exports	UNITED KINGDOM Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest.	Govt. Cons.	Net Exports
1985	691.8	60.8	18.9	19.6	0.7	561.8	62.6	22.5	16.7	−1.9	608.5	61.3	17.1	20.7	0.9
1986	746.1	60.2	19.6	19.2	1.0	615.7	62.2	20.9	16.5	0.4	573.7	63.1	16.9	20.6	−0.7
1987	770.5	60.6	20.2	19.1	0.1	658.4	62.4	21.0	16.9	−0.3	600.9	63.2	17.8	20.2	−1.1
1988	815.2	59.8	21.4	18.7	0.1	710.5	61.9	21.5	17.1	−0.5	709.5	64.1	20.1	19.5	−3.6
1989	877.7	59.5	22.1	18.3	0.1	790.8	62.4	21.3	16.9	−0.6	766.0	64.1	20.6	19.2	−4.0
1990	938.1	59.8	22.1	18.2	0.0	861.1	62.0	20.7	17.7	−0.4	770.2	63.6	19.0	20.0	−2.6
1991	965.8	60.4	20.7	18.6	0.3	931.6	62.5	20.3	17.7	−0.5	820.3	64.0	15.8	21.2	−1.0
1992						947.0					810.2	64.8	15.1	21.8	−1.7
1st qtr.1992	999.2	60.3	19.8	18.7	1.0	972.2	62.7	19.6	17.4	−0.3	827.3	64.1	15.7	21.5	−1.3
2nd qtr.1992	1,013.8	60.2	19.4	18.8	1.6	975.4	63.1	19.9	17.4	−0.8	848.5	64.5	15.0	21.9	−1.3
3rd qtr.1992	1,030.9	60.6	19.3	18.8	1.3	967.0	63.4	19.0	17.4	−0.1	826.9	64.8	15.1	21.6	−1.6
4th qtr.1992						880.6					746.1	66.0	14.5	22.1	−2.5

CONSTANT PRICES (% growth in)	France GDP	Cons.	Invest.	Govt.	Exports	Italy GDP	Cons.	Invest.	Govt.	Exports	UK GDP	Cons.	Invest.	Govt.	Exports
1985	1.9	2.4	2.8	2.3	1.9	2.6	3.0	1.7	3.4	3.2	3.9	3.8	3.5	0.0	5.9
1986	2.5	3.9	4.6	1.7	−1.4	2.9	3.7	1.4	2.6	2.5	4.1	6.4	2.2	1.6	4.7
1987	2.3	2.9	5.1	2.8	3.1	3.1	4.2	4.8	3.4	4.7	4.8	5.5	10.2	1.2	5.6
1988	4.5	3.3	9.8	3.4	8.1	4.1	4.2	6.9	2.8	5.4	4.4	7.4	18.1	0.6	−0.1
1989	4.1	3.3	7.8	0.3	10.2	2.9	3.5	2.3	0.8	8.8	2.1	3.3	5.2	0.9	3.8
1990	2.2	2.9	2.2	1.9	5.5	2.2	2.6	2.0	1.3	7.6	0.6	0.7	−7.4	3.2	4.9
1991	1.0	1.5	−2.6	2.9	3.6	1.2	2.0	2.8	1.4	−0.5	−2.1	−2.1	−12.9	3.3	0.2
1992	1.8	1.9	−3.0	2.5	4.7	0.9	1.8	−1.3	1.1	4.1	−0.6	0.2	2.4	−0.2	1.9
1st qtr.1992	2.4	2.2	−2.7	2.4	6.2	1.8	2.4	6.8	1.1	4.2	−1.1	−1.8	1.0	2.2	3.7
2nd qtr.1992	2.1	1.3	−1.8	2.5	3.0	1.5	2.3	2.7	0.8	3.0	−0.6	0.3	5.5	−0.2	2.1
3rd qtr.1992	1.5	2.1	−4.7	2.4	3.9	0.7	1.6	−3.8	1.2	4.0	−0.6	0.8	4.6	−1.6	0.1
4th qtr.1992	1.0	2.0	−3.1	2.7	1.0	−0.3	0.9	−10.6	1.0	5.1	−0.2	1.3	−1.5	−1.2	1.9

Seasonally adjusted data used in all cases. Statistics for Germany apply only to western Germany. GDP/GNP is broken down into private consumption expenditure, investment (the sum of gross fixed capital formation and the change in stocks), general government final consumption, and net exports (exports of goods and services minus imports of goods and services). The US includes investment by government in the government series, rather than under investment. Quarterly GDP/GNP totals are annualised. The growth rates are the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The figures in the fifth column of each set of growth rates refer only to exports. Data supplied by Datastream and WEFA from national government sources.

Rise and rise of the Chinese economic area





Source: World Bank Global Economic Prospects 1993 *China, Hong Kong, Singapore, Taiwan

China's potential emerging from behind the figures

CHINA is a large country with a big economy which is getting bigger by the year. But only now is it being understood quite how large and economically powerful China could become early in the next century – provided, that is, its development is not derailed by another of the bouts of inflation that have accompanied its impressive performance.

Chinese gross national product grew by an average 9 per cent a year over the last 13 years, far outstripping the growth rate of the population. The authorities may be about to put the brakes on to prevent over-heating, as at the end of the 1980s.

Growth rose last year to 12 per cent, but the year-on-year inflation rate also accelerated to 15.7 per cent in the first quarter of this year. But Chinese GNP in 1994 should still be four times larger than in 1978, when market-based economic reforms began.

Yet China's economic potential has been partly obscured from view by some strange World Bank statistics. According to the latest World Development Report, the dollar value of Chinese output per person has been falling over the past decade.

It has dropped from $410 in 1976 to $370 in 1990 – one-sixtieth of US GNP per head. With China's population estimated at 1.13bn in 1990, total measured GNP was $410bn, smaller than that of Canada, which was $542bn, and the UK, which was $908bn.

The reason for this strange result is the 500 per cent fall in the value of the yuan against the dollar since 1979. This has cut deeply into the dollar value of Chinese GNP, measured at national prices. But Chinese GNP is understated at current exchange rates because of the low prices of services relative to those in developed countries at market exchange rates.

One measure of this distortion is the large size of the China's export sector relative to measured GNP. The value of Chinese exports has risen from $13.7bn in 1979 to $62bn in 1990, or 15 per cent of measured GNP. This implies that China's export/GNP ratio is twice that of the US, despite China's huge geographic size and relative isolation.

World Bank officials have never denied that these statistics are misleading. In the latest issue of Global Economic Prospects for developing countries, they have provided an alternative, more realistic measure of the potential economic size of the Chinese economic area – which includes Hong Kong, Singapore and Taiwan, as well as China – at the beginning of the next millennium.

The bank believes that China can maintain economic growth rates in excess of 7 per cent over the coming decade. Using its baseline forecasts, it estimates that CEA national output, measured at market prices, will be larger than that of the UK, Italy and France by 2002, although still only a quarter of US GNP.

The picture changes dramatically if GNP is measured instead by standard international prices for both traded and non-traded goods and services. On this basis, CEA output is already larger than that of both Germany and Japan.

By 2002, the bank estimates that CEA's GNP will have risen to $9,800bn, marginally larger than that of the US.

Even then, GNP per head in the CEA would be lower – $7,300 compared to $36,100 in the US, $37,900 in Japan and $39,100 in Germany – but the gap would be much narrower than when measured at current exchange rates.

These alternative calculations also mislead. As a measure of economic welfare or quality of life, they make sense: people in China need haircuts as much as those in the US, even if they cost far less in Beijing than in New York. But China can only convert the value of these haircuts into international goods at current exchange rates, which give little international purchasing power to those who provide them.

As the Chinese economy develops, the domestic price of these non-traded goods will gradually rise relative to the internationally determined prices of traded goods. But for now, GNP measured at standardised prices, while useful for some purposes, overstates China's presence on the world economic stage.

Edward Balls

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IMF may seek to expand reserves

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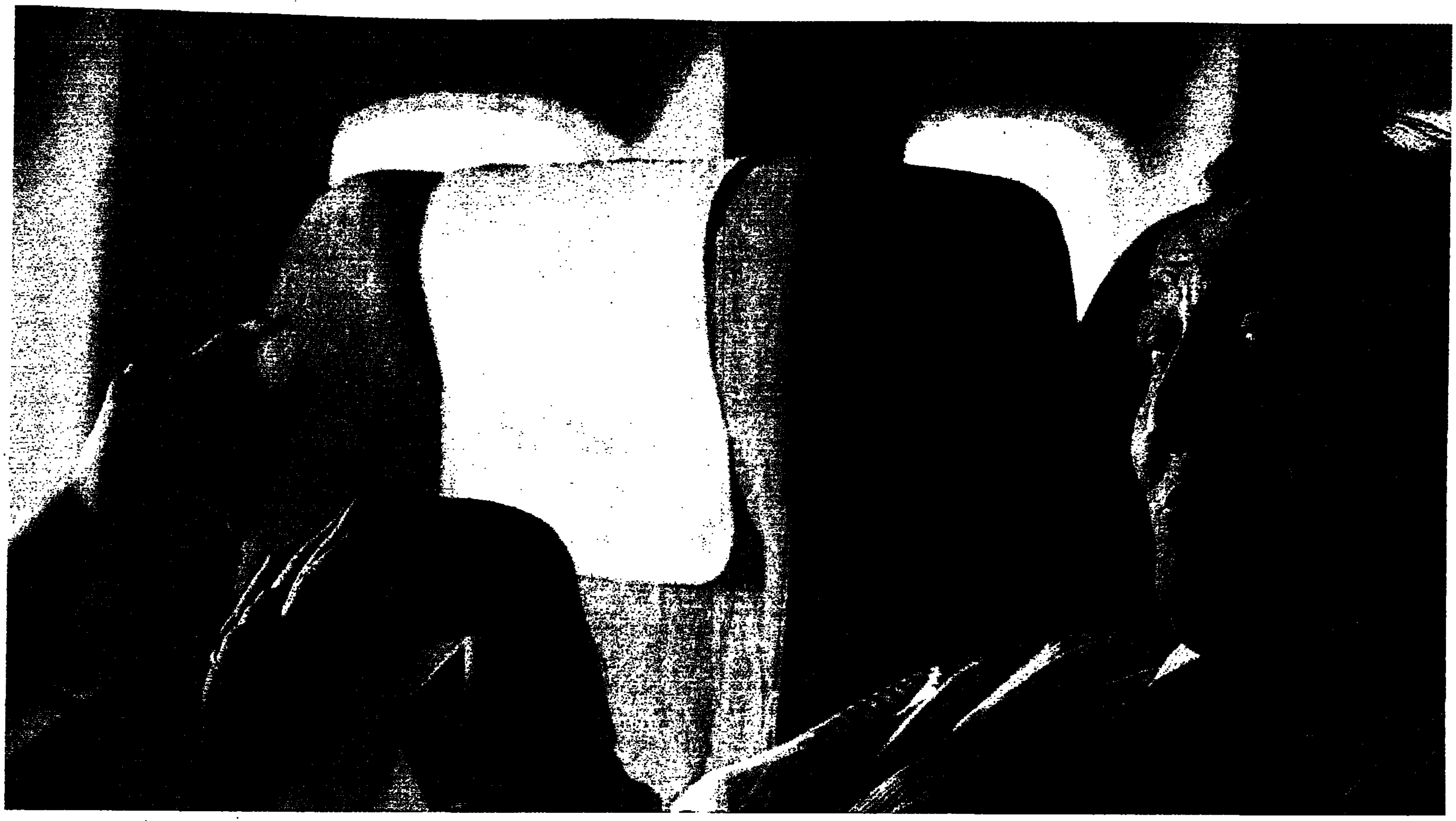

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NEWS: THE CITY BOMBING

● Aftermath likely to be worse than 1992 bomb ● Damage assessment may take several weeks ● Repairers tout for business

Unease over security as frustrations build up

By Richard Waters

ASSURANCES that business would continue as usual were again much in evidence as mopping up began yesterday after the second one-tonne bomb in little over a year.

But this time the questions being asked were more pointed, the unease among financial institutions more pronounced.

Sir William Purves, chairman of HSBC Holding, which owns Midland Bank as well as the Hongkong and Shanghai Banking Corporation, summed up the sense of frustration. "I am absolutely sure that the authorities are doing the best they can. It is very difficult, I'm sure, to track down these people. But it does seem quite extraordinary that that quantity of explosives can be put in a truck and brought into the City."

The shock from this second bomb could have a bigger impact in the long term than the first. Sir William said: "At a time when there is a fair amount of competition for a future central bank of Europe, this must work against the case for it being in London."

The attack is likely to have little effect on where institutions such as National Westminster Bank and HSBC Holding – two of those worst hit – choose to do business. NatWest operates at the heart of the UK financial establishment, while HSBC only moved its head office from Hong Kong to London at the start of this year. Through subsidiaries such as James Capel and Midland Bank, as well as through the London branch of the Hongkong Bank, it has one of the biggest presences of any financial institution in London.

The Corporation of London, the City's local authority, lists HSBC and NatWest – alongside BP, the oil giant – as among its biggest rate-payers, shouldering a large part of the Corporation's annual £700m budget. Large institutions such as these had already pressed after last year's bomb for a greater police presence to protect the City from terrorist attack and are likely to become more vociferous still this time around.

The devastation could have more of an effect on institutions whose presence in London is smaller. The number of foreign banks in London has remained more or less constant at around 500, but many have already cut operations sharply in the face of unprofitable banking markets in recent years. Events such as the Bishopsgate bomb may give some the excuse they need to pack up altogether, though this would have little impact on the City's main markets.

The City establishment was yesterday dismissing the thought that London's competitive position was about to be undermined. Lord Alexander, chairman of National Westminster Bank, said: "At first glance, this is obviously bad for the City. But it does provide the opportunity to emphasise that it is business as usual the next morning, which is, after all, what the City stands for. I'm confident that, whatever the pressures, the City remains competitive."

Sir Andrew Hugh Smith, chairman of the Stock Exchange – itself the target of terrorist bombs in the past – added: "It's perilously easy to get overwhelmed by the drama of events like this. Other centres have their problems – though perhaps they haven't had two big bombs like us."

He pointed to the terrorist bomb this year at New York's world trade centre and to the assassination in the past two decades of the heads of two of Germany's biggest banks – Alfred Herrhausen of Deutsche Bank and Jurgen Ponto of Dresdner – as proof that other financial centres faced similar difficulties.

The Bank of England also waded in to the debate in defence of London's financial centre, which recorded £16.9bn of overseas earnings in 1991. "The experience of last time doesn't suggest that this will affect the City's ability to do business internationally or to attract business from overseas," the Bank said.

It conceded, though, that as far as London's competitive position was concerned, "obviously it doesn't help".

Behind the assurances was an acceptance that the City would remain vulnerable to terrorist attack and that the cost of insuring against damage to property or the loss of earnings that results from bomb attack is likely to rise further. Last year's bomb had already led to a doubling of the cost of insuring large commercial buildings in the City, according to the Corporation of London.

The proof that Europe's leading financial centre is vulnerable to terrorist attack, despite extra security arrangements introduced after last year's bomb outside the Baltic Exchange, has not come at a good time for the City establishment.

Last month's move by the Stock Exchange to scrap its planned Taurus automated settlement system, at an estimated cost of £400m, was a big reversal for the credibility of London's securities markets – though the computer disaster had little effect on the operations of the markets.

Foreign financial institutions often complain of London's poor transport system or its heavy burden of regulation on the wholesale investment markets – though recent steps have reduced the second of these complaints. The threat of bombing, and the probable rise in the cost of insuring against it, could become the latest on the list of moans.

The City's future security arrangements were already the subject of discussion yesterday. "There's no financial centre that is free from all risk, and we can't expect to be either," the Bank of England said. However, the Corporation, whose £700m annual budget supports an 800-strong police force, among other services, was working on plans yesterday to make the chance of a third bomb more remote.

"This has got to have some impact on security arrangements," said Sir Andrew Hugh Smith. "There will have to be some further tightening up."

The Corporation has been trying to discourage private cars from entering the City area, in part by turning side-streets into pedestrian areas. This process will be accelerated, said Mr Michael Cassidy, head of policy, allowing the police to put more effort into checking commercial vehicles going into the Square Mile. There was an acceptance at the Corporation and elsewhere, though, that the City could not be protected from all risks of attack.

The bomb is also likely to have a direct financial impact, in the process adding to the cost of operating in the City and making it a less attractive centre from which to operate. Insurance costs have risen as a result of last year's bomb, as insurance companies have moved to exclude terrorist damage as an insurable risk and a government-backed reinsurance arrangement has been launched.

According to most estimates of the cost of last weekend's damage, the private-sector contribution to this insurance fund for the current year has been more than exhausted, leaving it to the British taxpayer to foot part of the bill – and the full cost of any further damage to large commercial buildings on the UK mainland from further terrorist attack over the coming year. Given this, it was thought highly probable yesterday that insurance premiums to cover the risk of terrorism will rise sharply in future years.

Recent bomb attacks at financial centres

30/11/89: Alfred Herrhausen, chief executive of Deutsche Bank, killed in car by remote-control bomb at Bad Homburg, outside Frankfurt. Red Army Faction claim responsibility.

10/4/92: IRA bomb explodes in St Mary Axe, London, the day after the general election. Ten buildings severely damaged, including Baltic Exchange, Commercial Union building, Chamber of Shipping. Three people killed, 91 injured. Estimated £350m cost includes £250m of damage to property, the remainder being business interruption.

26/2/93: World Trade Centre, New York: six killed with more than 1,000 injured. Arrested suspects have links with the blind cleric Sheikh Omar Abdul-Rahman and his New Jersey Mosque. Estimates of insured claims run to $1bn, with Lloyd's of London saying it will bear $300m of this.

12/3/93: Bombay Stock Exchange among the worst-hit targets as 13 bombs explode across the Indian city, killing 250 people and wounding more than 1,400. Part of radical Islamic upsurge in wake of Ayodhya trouble. Actual perpetrators said to be from Indian underworld, with Pakistan links. 44 arrests by April 2.

After the event, the clear up

Estimated insurance losses '£300m'

By Richard Lapper

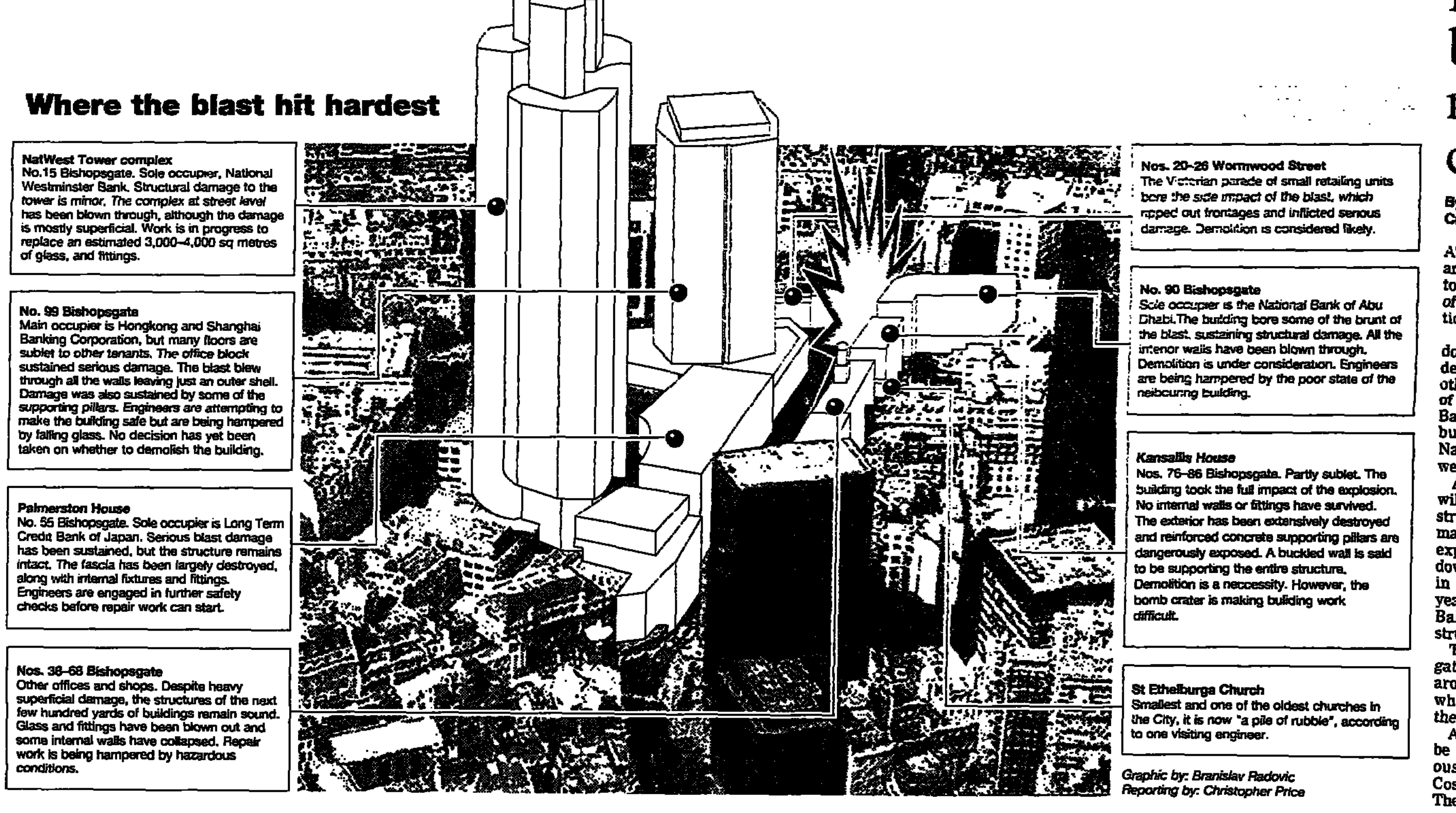
INSURED losses caused by Saturday's bomb attack are likely to exceed £300m, according to the Association of British Insurers, the industry trade association.

The ABI said the losses would be of the same magnitude as last year's City bombs. The pattern of payouts could also be repeated, it added. Two thirds of claims were for material damage – to property, fixtures and fittings – with roughly one third of payouts compensating lost profit and rental income.

Mr Nick Balcombe, a loss assessor, said he expected losses to be more extensive and could exceed £1bn. "Many more buildings will have to come down. The Hongkong bank has had its guts ripped out. I don't think Bishopsgate will be open for some time."

Describing these and other estimates as "likely to prove wildly inaccurate," the ABI said most businesses affected are likely to have "carefully worked out contingency plans which should minimise disruption and keep down business interruption claims."

Where the blast hit hardest



Graphic by: Branislav Radovic
Reporting by: Christopher Price

Damaged buildings may be destroyed

By Andrew Taylor and Christopher Price

AT LEAST one office building and a parade of shops will need to be demolished in the wake of Saturday's blast, construction experts said yesterday.

St Ethelburga's, one of London's oldest churches, was also destroyed in the blast. Two other offices, the headquarters of the Hongkong and Shanghai Banking Corporation and a building belonging to the National Bank of Abu Dhabi, were also severely damaged.

A decision on their future will not be taken until a full structural assessment can be made. The initial reaction of experts was that more windows had been destroyed than in the explosion which last year badly damaged London's Baltic Exchange, but that structural damage was less.

The streets around Bishopsgate are broader than those around the Baltic Exchange, which allowed the effects of the blast to spread.

Among the first engineers to be called out was the dangerous structures team run by Costain, the UK contractor. The unit is under contract to a consortium of 12 London boroughs and has been present at virtually every disaster in the capital during the past 20 years – including the Baltic Exchange bomb, the Brixton riots and the Iranian embassy siege in 1981.

Its first job yesterday was to ensure that damaged buildings were made safe for repair work to start and allow for emergency services to conduct more detailed searches for clues.

Mr John Milcock, the team's foreman, said: "It could be several weeks before the full extent and cost of the damage is known.

"First impressions are that three or four buildings may have suffered structural damage. In addition there are vast quantities of broken glass.

"The church has been wiped out and the offices next to it [Kansallis House, occupied by the Finnish bank Kansallis-Osake Pankki] are severely damaged. The Hongkong and Shanghai bank appears to have some of its pillars damaged. Almost all of its windows have been destroyed."

Mr Peter Bennett, deputy city surveyor for the City of London said: "Most of the damage to Hongkong and Shanghai bank was blast damage rather than structural. All the internal walls have been blown through."

Mr Bennett added that Kansallis House would have to be demolished as it was in a dangerous state. The blast had shattered the concrete frame and blown away some of the reinforcing.

The National Bank of Abu Dhabi at 90 Bishopgate, next door to Kansallis House, was also severely damaged and might have to pulled down, Mr Bennett said.

He said that a parade of Victorian shops on the corner of Wormwood Street and Bishopsgate would also have to be demolished.

Hongkong Bank bombed again

By John Gapper in London and Simon Holberton in Hong Kong

MORE THAN 300 of Hong Kong and Shanghai Banking Corporation's 600 staff in London are expected to be at work today in different buildings, after the bank yesterday hastily re-allocated most of the work carried out at its Bishopsgate branch.

Hongkong Bank, a subsidiary of HSBC Holdings, said the most severe disruption would be through the loss of paper files. Papers such as letters of credit dating back three months were scattered and destroyed in the blast.

The bank was yesterday allowed to send managers into its office to retrieve computer data. It will today start re-running the data from a processing centre in Sheffield owned by Midland Bank, another HSBC Holdings subsidiary.

The bank said most of its offices inside the Bishopsgate building transferred their paper files to microfilm after three months, but customers with more recent dealings could suffer disruption.

The bank had to spend £600,000, largely replacing windows, to repair damage to the same building caused by the IRA bomb that blew up the Baltic exchange a year ago. However, the damage this time was far more severe.

Sir William Purves, HSBC Group chairman, said the Hongkong Bank branch in Bishopsgate which concentrates on trade finance and corporate banking was "a relatively small branch" but was still the main one for the bank in Britain.

In Hong Kong, Sir William said: "It is fair to say that the computer is out and that the building is in a bad state. The water pipes were broken and water is flowing through the building and it has no power."

Hongkong Bank occupied eight of the 26 floors in the tower, which was opened 18 years ago. It had just moved its treasury operations to an office on Lower Thames Street in which its trading operations are merged with Midland.

Hongkong Bank said that the main banking and trade finance operations of the bank would be relocated to spare office space at HSBC Holdings' head office in Lower Thames Street, and an adjacent Midland Bank data processing building.

Its corporate finance and property services functions would be moved to an office in Devonshire Square where it currently carries out asset management functions and the fund management side of its James Capel subsidiary.

The bank's vaults on the lower ground floor are thought to have remained intact, in spite of the collapse of some lower level floors. They hold all valuable documents such as securities.

Hongkong Bank said it would have no clear idea of the damage to the building and whether it could be salvaged until it was allowed back in by the authorities, which it expected could be "a matter of weeks rather than days".

Shattered NatWest tower unfit for use

By John Gapper, Banking Correspondent

THE 600ft National Westminster tower, one of the City's landmarks, is likely to remain empty for some time. Up to a third of the 12,000 square metres of glass in its windows was shattered in the bomb blast.

The bank yesterday started allocating the 1,300 staff who work in the tower to desks at other buildings in the City. It emphasised that none of its data processing or trading functions would be affected by the blast.

Nearly all staff and managers in the tower work on its UK branch business – about 50 work on international business – and NatWest said it did not believe their work would be substantially disrupted by having to move offices.

Mr Derek Wanless, the bank's chief executive, said it was still assessing the extent of damage to the tower and surrounding buildings, including a hall where its annual shareholders' meeting was due to be held tomorrow. The meeting has been moved to the Whitbread Brewery Conference Centre in Chiswell Street.

Mr Wanless said damage to the tower was "substantially worse" than last year, when it lost about 160 windows in the Baltic Exchange bombing. The bank expects to be able to make an assessment of damage by the end of the week.

He said there had been "slight damage" to the NatWest Markets investment banking subsidiary at 135 Bishopsgate, but trading and other operations would continue without interruption today, and clients would not be affected.

The bank said the tower, opened in 1981, had been "fully insured". It did not expect to lose files or data as a result of the blast, and operations such as credit cards and local branch services would be unaffected. NatWest's staff who are not needed for work immediately will be advised to take up to two days off work while the bank re-allocates functions. The bank said it was establishing a telephone service to advise employees.

Good contingency plans smooth the aftermath

By Catherine Milton

MANY CITY businesses have seen carefully laid contingency plans work smoothly, although a few were considering their future in the Square Mile.

Mr Hamid Noorizadeh, assistant general manager of Tokai Bank, a Japanese wholesale and commercial bank, said: "We set up a disaster contingency plan. That is why it is working so well for us now. We have been working on this since yesterday morning flat out."

Tokai's headquarters, which occupied three floors in the Hongkong and Shanghai Bank building, is moving temporarily to the offices of a subsidiary in nearby Finsbury Square. It has about 50 dealing positions, eight of which have moved to Safety Net Trading Places, a company which offers emergency dealing facilities.

Mr Noorizadeh said: "We drew up a comprehensive disaster plan back in July 1992 and it went very well. It will be business as usual from Monday morning."

Long-Term Credit Bank of Japan also had a contingency plan and has successfully moved to King William Street.

Banque Indosuez, part of the French group, was yesterday negotiating dealing space at Bankers Trust, the US commercial bank.

The response of many foreign institutions is likely to calm fears that London's status as an international financial centre could be undermined by the bombing.

Mr Takeshi Kadota, managing director of Mitsubishi Corporation Finance, which has moved to premises on Cheapside, said: "Our business will not be fully operational for at least one week because we do not like to start up with an unsatisfactory infrastructure and uncertain market information. But it is not our idea to move from the City."

Others feel differently. Saudi International Bank, which has found alternative premises, said it would consider its future location "carefully".

Mr Richard Wilson, chief operating officer, said: "We were bombed out last year. At that stage we had a contingency plan of sorts but we tightened it up considerably following the first bomb."

He said the bank had not yet decided whether to stay in the City. "We will have to wait and see. It is something we are going to have to think about very carefully. Obviously security will be an issue."

Few said they believed London was now more dangerous than other locations. One executive said: "These things happen. You could be in the World Trade Centre in New York and a bomb could go off."

Glaziers flock to the 'bazaar'

By Andrew Taylor, Construction Correspondent

GLAZIERS were the first beneficiaries yesterday as an army of construction workers began clearing up hundreds of tonnes of broken glass and rubble.

Some companies were called within minutes of the bomb going off. Central Glazing was called almost immediately by Libra Litho in St Botolph Street and Union Discount Company in Cornhill, and was at work on Saturday afternoon.

Many glaziers turned up on spec to tout for work, pressing business cards into the hands of anybody who would take them. One observer said: "It is like a bazaar down there."

A woman answering the phone at Plate Glass yesterday said there was nobody to take the call because all the vans were out. "The drivers went out as soon as they heard of the explosion on the radio. They did not wait for customers to contact them but went out chasing work."

The first task has been to remove broken glass and board up empty windows. Some customers may have to wait until today before assessing the extent of damage to their windows.

Workmen were yesterday busy removing acres of broken glass from the roof of Liverpool Street Station. British Rail estimated damage at £250,000.

Hayes Glass said it had gone out on Saturday to assist a long-standing client, one of the Bill Bentley wine bars in the City, but had been prevented by police from entering the area. It ended up boarding up the seven floors of windows of a nearby bank building.

Companies such as Hayes are likely to be busy again today, and for some time to come.

NEWS: THE CITY BOMBING

● Government likely to pay for much of damage ● Square mile's reputation dented ● Anti-terrorist campaign is criticised

Insurance costs expected to rise

Richard Lapper

CITY businesses could face big rises in insurance costs following Saturday's bomb attack, even though the government is expected to meet a large part of the bill.

Increases are almost inevitable because the cost of the damage is likely to exceed £300m, exhausting available insurance funds of Pool Re, the specialist reinsurer set up by UK insurance companies earlier this year to cover terrorism risk.

Insurers will provide some reinsurance for Pool Re, with the government guaranteeing all other claims.

"Unquestionably it looks like higher rates," said Mr Alan Fleming, executive director of the Association of Insurance and Risk Managers in Industry and Commerce (Airmic), which represents more than 300 insurance buyers.

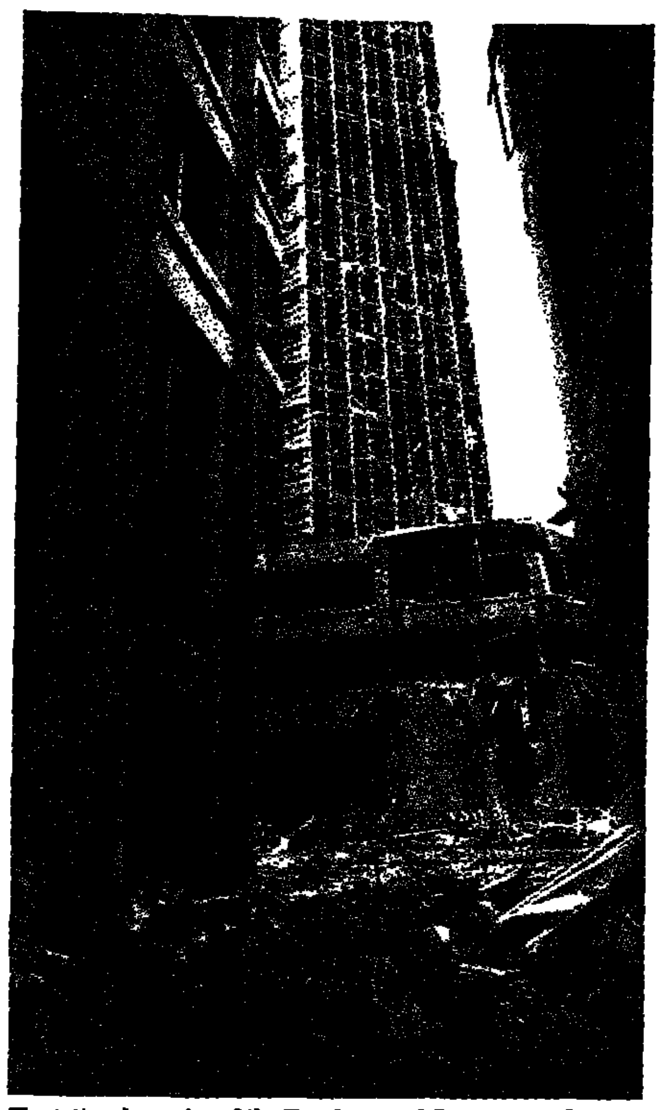
Mr Tony Baker, public affairs manager for the Association of British Insurers (ABI), also suggested increases were likely, with City businesses bearing most of the burden.

Mr Fleming suggested it might become necessary to make the purchase of terrorism insurance compulsory, possibly through the imposition of a standard levy on all commercial insurance policies.

He said: "The danger is that we will price some people out of the market. It has to be paid for one way or another. The only solution is to broaden it."

It also emerged that a number of insurance companies could be badly hit by claims on policies sold before terrorism was excluded from covers. Royal Insurance said yesterday that it had paid "several million" pounds to reinsure these exposures with Pool Re. But it is understood some other companies are unprotected.

Business has had to pay more to protect itself from terrorist attack since insurers withdrew cover from standard commercial insurance policies last year after sustaining losses of more than £300m from last April's bomb attack in the City.



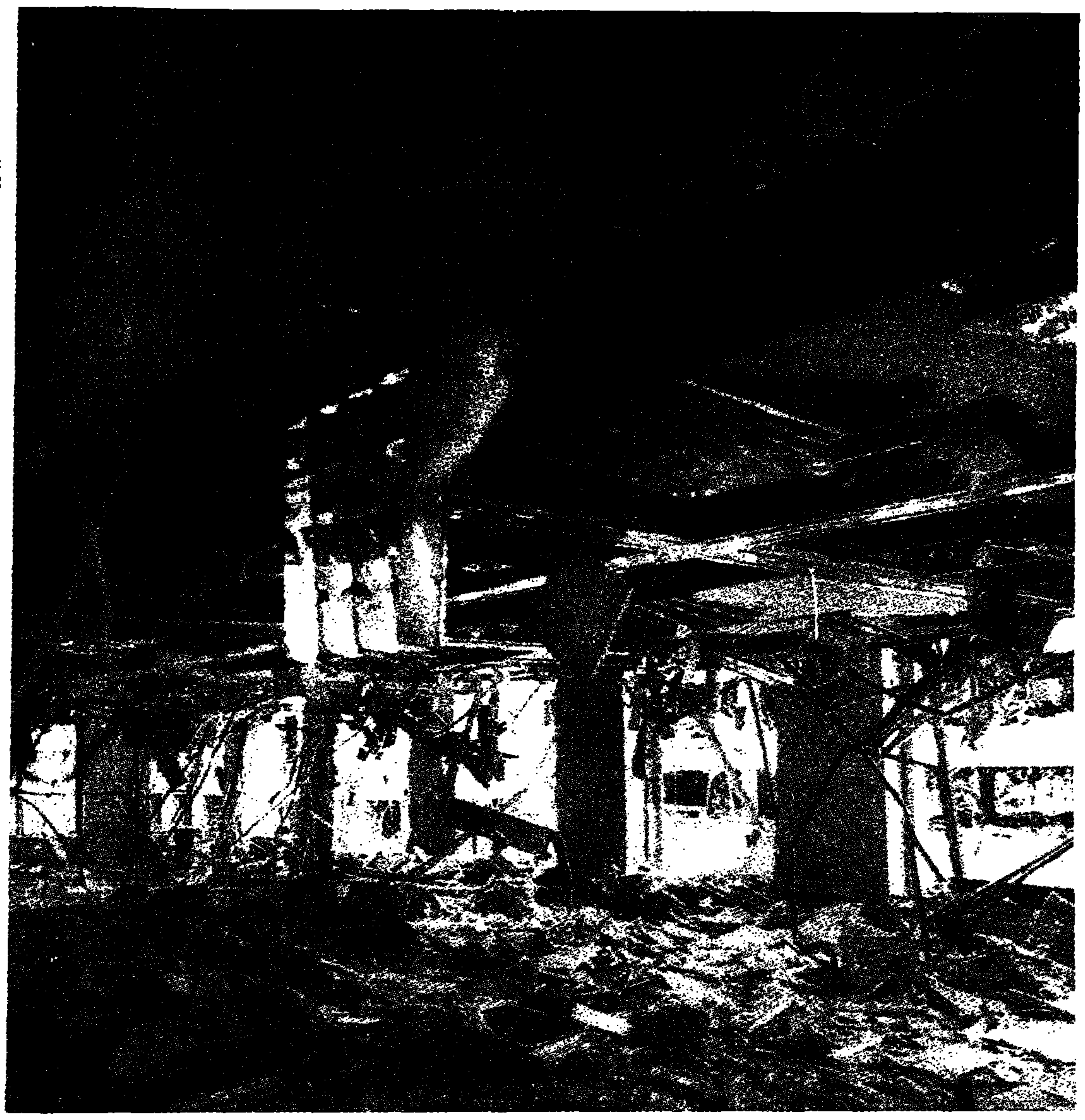
The tattered remains of the Hongkong and Shanghai Bank tower

Additional premiums for terrorist cover are collected by insurers and fed into Pool Re. Pool Re meets all claims until its funds – relying on total premiums of between £250m to £300m each year – are used up.

Insurers then contribute an additional tranche of cover equal to 10 per cent of premiums collected by Pool Re. Beyond this level the government meets all claims, acting as a reinsurer of last resort.

The DTI said yesterday the government would stand by these commitments even though Pool Re has still not been authorised. Funds paid to it are being held by insurers in specially earmarked accounts.

Even under present arrangements cover is expensive, especially for companies in high-risk areas. The owners of a central London office block worth £100m in central London might expect to pay £50,000 for terrorism insurance, according to the ABI.



Devastation: ceilings, partitions and windows inside the Mitsubishi Bank building in Bishopsgate were destroyed by the bomb blast in the City on Saturday morning

Companies begin gruesome calculations

By Richard Gourlay

FOR THE second time in little more than a year the City has reluctantly begun the gruesome calculations of how an IRA bomb will affect the City's oversupply of office space.

Chartered surveyors, agents and property companies were yesterday keenly aware that the City's reputation and attractiveness as an international financial centre has been severely damaged. Already one firm, Wates City, had set up shop within the heart of the Corporation of London to place tenants in vacant properties.

But just as the shock waves of the Bishopsgate bombing may have spread further this time, so the short term benefit to the property market may be greater than when the IRA bombed St Mary Axe in April last year.

The Royal Institute of Chartered Surveyors estimated yesterday – without the benefit of a tour of the most badly affected area – that tenants occupying 1.1m square feet of office space have been badly affected by the bomb.

By comparison, the St Mary Axe bomb led to 300,000 sq ft of additional property being let after two buildings bore the brunt of the attack, according to the property surveyors, Jones Lang Wootton.

Mr George Grillon, chairman of the Royal Institute of Chartered Surveyors, said yesterday that it was far too early to say how much of the damaged space would be back in service after easy and quick re-glazing efforts by the thousands of glaziers already swarming through the City.

But any increase in demand would come against a backdrop of chronic oversupply.

Within the boundaries of the City of London there are about 3.5m sq ft of new and unoccupied office premises ready for use and about the same quantity available within older buildings.

Extending the survey area marginally to include a broader definition of the City – taking in post codes EC1 to EC4 – there are 5m sq ft of new office space and another 7.5m in older buildings.

Additional capacity would also come out of mothballs should the property market show any sign of firming.

Other considerations suggest the damage to the City's reputation might have a more enduring impact than the increase in demand.

The larger affected companies – such as NatWest and HSBC – have contingency arrangements that mainly involve squeezing into space they already occupy elsewhere in London. Also, lessors have an obligation to return to their original buildings once they are repaired, so any increase in demand would be temporary.

Reaction to the bombing

"London is the financial capital not just of Britain but of Europe and indeed the world. I have every confidence that business will continue to locate here and work successfully here. To do otherwise would be to succumb to terrorism which is a threat not just in Britain but internationally."
Norman Lamont

"Our computer data is all safe, but our files are spread around the City. If anyone sees a piece of paper with our logo on, could they kindly pick it up and return it to us?"
Hong Kong and Shanghai Bank spokeswoman

"This great city has faced plague, pestilence, fire and the blitz and it has won through. It will do so again and the IRA have no more hope of killing the spirit of London and its people than Hitler had."
The Rev Eric Evans, Dean of St Paul's

"Why are more of these people not caught? And when caught why is it so difficult to convict them?"
David Mellor

"This is a continuance of the campaign being waged by the IRA. We had hoped after the deaths in Warrington that this had been some sort of turning point, but here we have death again."
David Tucker, head of the police anti-terrorist squad

Dunkirk spirit rises at EBRD

Peter Norman, at a seminar in the embattled bank when the bomb went off, says its morale survived as well as its marble

A BRIEF flickering of lights on the fifth floor of the European Bank for Reconstruction and Development gave the first hint of an explosion.

A moment later, at about 10.25 on Saturday morning, the 12-storey steel and concrete structure lifted and trembled as the blast, a few hundred yards to the south along Bishopsgate, rolled and roared around Liverpool Street station and the Broadgate office complex for what seemed several seconds.

While the EBRD has achieved notoriety for the un-British opulence of its headquarters, it reacted on Saturday with a very British stiff upper lip, business-as-usual approach to the IRA bomb.

While most of the City was enjoying a day off, the bank was almost as busy as on a normal day. About 1,000 businessmen, bankers, journalists and officials were in the EBRD headquarters for a day of seminars and round-table discussions ahead of the formal opening today of the bank's annual meeting.

In the fifth floor room where I was, Mr Mario Sarcinelli, the vice-president responsible for development banking, gamely continued a press briefing on fiscal problems in eastern Europe.

As wire service reporters rushed from the room, Mr Sarcinelli brushed aside a recorded announcement of a fire in the building as "something that always happens".

He doggedly kept up his exposé of east Europe's need for tax reforms as announcements urged all to stay at their work stations and away from windows.

The voice in the loudspeaker need not have worried. The bank and its celebrated marble fittings survived virtually unscathed. Although the building had heaved, breaking a few windows in a ground-floor wine bar, there was a notable absence of panic. "We put the blinds down and carried on," an official explained.

The emergency may have gone some way to fostering camaraderie among delegates and easing tensions created by recent disclosures of the bank's alleged high spending.

Yesterday the Dunkirk spirit was again on show as bands of hob-nobbing and networking delegates wove around cordoned-off streets on their way to the EBRD headquarters at One Exchange Square.

For some veteran staffers, it was a matter of *déjà vu*. Last year's big April bomb had gone off much closer to the previous EBRD headquarters and caused far more damage to the bank's building.

Lord Mayor in the spotlight

By Andrew Jack

"EXCUSE ME for a minute," said Sir Francis McWilliams, the Lord Mayor of London, breaking off our interview yesterday. "The Japanese Ambassador is on the phone."

It was just one among several dozen calls that he had received, at his office in Ironmonger Lane, in the City, which became centre of operations to help prepare for business again today.

"The Japanese banks are a very important market for us," said Mr Michael Cassidy, chairman of the City corporation's policy committee, during the pause. "We do need to reassure them that we are doing everything we can."

Mr John Major, the prime minister, had called to offer condolences and promise a meeting early next week. Sir Francis had spoken to the US ambassador and put in a call to the Saudi ambassador.

By mid-afternoon he had also talked to "the major ratepayers" and others affected by the bombing or involved in attempting to restore normality, including the heads of the Stock Exchange, Lloyd's, Mitsubishi, Barclays, NatWest, British Rail, London Transport and British Telecom.

"I was bloody angry," said Sir Francis. "It's so pointless. It's not going to change anything or improve things in Belfast. But everybody is coping remarkably well."

The ancient wood-panelled rooms, ornament-covered mahogany desks and servants in maroon tailcoats carrying bringing tea in silver pots stood in stark contrast to the urgency of the day.

A constant stream of officials from the Corporation of the City of London passed through the office for strategic meetings to help co-ordinate reaction to the blast.

The Commissioner of the City of London police and other uniformed senior officers rushed through at lunchtime. A few minutes later came the City Engineer, with helmet and luminous hazard-jacket, nervously pulling out a comb to smarten his hair before ascending to the Mayor's office on the first floor.

A few hundred yards away, the Corporation of London's headquarters at Guildhall had been besieged since 5am with keyholders wanting passes to allow them and
their contractors into the cordoned-off area so they could assess the damage to their buildings.

The central area of damage remained sealed off even to contractors as police forensic experts examined the site of the blast, and engineers inspected buildings for safety.

The City was not slow to capitalise on yesterday's recovery action. It said its swift response showed the effectiveness of the Corporation government, while the action by St Bartholomew's hospital in dealing with casualties added fresh weight to the case against closure.

Historic church reduced to rubble after 600 years

By Peter John

THE CHURCH that survived the Great Fire of London, the Victorian building boom, the Blitz and the plate glass revolution of the 1980s has been reduced to rubble.

There was, however, an ironic if small silver lining to its fate – some of its treasures were moved to St Paul's Cathedral last year after it suffered damage in the Baltic Exchange bomb. Valuables, including a painting from the Bruegel school, escaped the weekend bombing.

St Ethelburga the Virgin on Bishopsgate, parts of which date back to 1400, was the smallest and one of the oldest churches in the City. Only 30 feet wide and 60 feet long, it was tucked between the two office blocks which bore the brunt of Saturday's explosion.

Its larger sister church and the accompanying rectory were badly scarred by last April's bomb,. which wrecked the home of Rev Dick Lucas, rector for 30 years.

Repair work to bomb-damage at St Ethelburga's was just about to begin before Saturday's blast. The church was enjoying a fragile revival after being closed down some years ago. It had been re-dedicated as a Chapel of Ease in March 1992 and after some refurbishment was open for a few days before suffering £75,000 worth of damage in April.

Hopes of a renaissance for the church were shattered on Saturday when Mr Paul Sutherland, the parish clerk and the building's official keyholder, was called to the Guildhall by police. There was very little he could do. The church was at the centre of the central danger zone which is expected to be closed for at least four days. But reports suggested that nothing remained except for one wall. "Its just a crater and a pile of rubble," said Mr Sutherland.

The parish is now reduced to two churches but yesterday parish administrator Ms Elizabeth Ellingworth said: "We are still holding services at St Peter's in Cornhill . . . in spite of the hardship we are determined not to be beaten."

IRA exploited reduction in spot security checks

By Jimmy Burns

THE second major IRA bomb attack in the heart of the City in just over a year has served as a chilling reminder of the terrorist organisation's capacity to strike and strike again, and the security forces' apparent inability to stop it.

According to Mr John Wyatt, a bomb disposal expert and security adviser, the type of bomb proved the extent of the IRA's logistical and organisational capacity.

Unlike Semtex, which can be lethal even in small quantities, the ammonium nitrate fertiliser used in the City bomb needs to be gathered in considerable quantities, mixed with other base materials, and then packed into several containers.

The process by which this material was gathered, stored, assembled, and then transported to the City seems at no point to have been detected by the security forces.

According to security sources, the IRA appears to have exploited a reduction in the frequency of armed spot checks on traffic by the City of London police.

The security forces are understood to have been assuming the next major terrorist attack would be directed at a political figure rather than property.

Professor Paul Wilkinson, an expert on terrorism, estimated yesterday that there were probably now as many as 40 people actively engaged in IRA terrorism on the mainland.

In a comment echoed by some MPs, Prof Wilkinson described present arrangements for dealing with the IRA as a "recipe for fragmentation" and urged the creation of a "single body" to co-ordinate resources and intelligence.

Since last year MI5 has in theory been in overall charge of intelligence gathering, with the Metropolitan Police's anti-terrorist squad giving it logistical support.

But in practice the mainland anti-terrorist drive has continued to involve any of Britain's 54 regional constabularies, as well as forces on both sides of the Irish border.

The intelligence record in fighting against the IRA remains in deficit, with bomb attacks far outnumbering the number of arrests, let alone convictions.

"Short of turning each building in the City into a concrete bunker at huge cost there is no guarantee this won't happen again," said Mr Wyatt.

But he believes that companies can make themselves, if not totally secure, at least less vulnerable by using a strategy based on the following:

- Restricted access of large vehicles to specific times which can be monitored by the companies concerned and the police.
- The use of mobile screens of laminated fibre glass mat which can quickly cover an office's window in an emergency and reduce injuries from shattering glass.
- The location of computers and other expensive equipment well away from street-facing areas of an office.

However, such measures, combined with increased police resources, presuppose not just a potential increase in costs, but the willingness of everyone in the City to work together.

In the meantime, the IRA will be considering the weekend events as a significant coup, utterly consistent with the terrorist organisation's own policy of forcing Northern Ireland on to the English and international political agenda.

Government aims to revive manufacturing base

Heseltine to unveil export led strategy

By Michael Cassell, Business Correspondent

MR MICHAEL Heseltine, trade and industry secretary, will tomorrow unveil to MPs plans for putting his department at the forefront of government efforts to help a long-term, export-led recovery in Britain.

Mr Heseltine will spell out a series of initiatives and structural changes within the department of trade and industry (DTI) intended to help revive Britain's manufacturing base and to boost its share of world trade when he addresses the House of Commons trade and industry select committee.

His appearance will follow last week's remarks by Mr John Major, the prime minister, who laid new emphasis on improving UK competitiveness. He said he regarded the manufacturing sector as "the soldier in the front line" of the struggle to win business.

Mr Heseltine, whose reforms in the DTI were sidetracked by his six-month battle over pit closures, will set out the parameters of his proposed partnership with industry.

Last week, Mr Heseltine disclosed his plans to the leaders of business organisations and to the Financial Times. His blueprint for restoring manufacturing to the heart of economic strategy was welcomed by business leaders although they expressed doubts about his ability to deliver.

Mr Howard Davies, director general of the Confederation of British Industry, said Mr Heseltine and the DTI were "clearly moving in the right direction, albeit rather slowly."

Mr Peter Morgan, director-general of the Institute of Directors, welcomed Mr Heseltine's efforts to create a "department for the market" but stressed that said some of the preconditions spelled out for long-term economic strength were well outside the minister's remit.

"What he is trying to do is useful but, although he sees the total picture, he can only influence part of it. We will have to see how successful he is in getting other departments to join in."

Mr Heseltine is calling for a new dialogue with all sectors of British industry and all sizes of business, enlisting their help to draw up a national, strategic approach to winning a greater share of world markets.

The trade and industry secretary is emphasising that government's role will be strictly limited. But he wants the DTI, which is enlisting growing numbers of private sector secondees, to act as "a catalyst for national, self-interest".

He said he wanted to rebuild the DTI's reputation as a department whose knowledge and opinions would be valued by industry. He intended to extend more help to small businesses and to step up the battle to lift unnecessary burdens from the corporate sector.

Heseltine: seeking a trade "catalyst for national, self-interest"

Balance of trade holds key to UK recovery

PROOF that the DTI's new competitiveness strategy is working will lie in a lasting improvement in Britain's unhealthy balance of trade, writes Michael Cassell.

Boosting exports lies at the centre of any strategy to achieve long-term economic recovery.

The department's responsibilities in encouraging exports – Britain already sells overseas 25 per cent of what it produces – is being given high priority.

There have been a spate of recent initiatives aimed at assisting an export-led revival, including a boost to export insurance cover, lower insurance premiums, DTI-led export campaigns and the reorganisation of the department's Overseas Projects Board, whose remit it is to support the fight for big export projects.

Mr Heseltine is also in the process of finalising a major, internal restructuring of DTI export support operations, which currently cost the taxpayer £170m a year – excluding the bill for trade aid.

In the meantime, the private sector is being called upon to play its part in the shape of so-called export promoters, drawn on secondment from companies and brought in to give the benefit of their experience to others.

Mr Heseltine dismisses the concept of desk-bound government officials imploring companies to "get off your bottoms and go out there". The answer, he says, is to recruit people who have spent their careers selling overseas and who can teach others how to do it.

About 25 full-time promoters have so far been enlisted, initially for one year, and the intention is to get about 100 into the DTI. Although "there was no immediate prospect" of the department traditionally recruits around one quarter of that number.

Freed from day-to-day line management responsibilities the promoters will liaise with overseas posts and also maintain a dialogue with companies. They will be expected to visit businesses around the country, giving advice on export opportunities.

Sick pay targeted for cutbacks

STATE-funded sick pay and industrial disablement benefit have emerged as front-line targets for cutbacks in the government's review of social security spending, writes **Philip Stephens**.

A Treasury demand that the review deliver immediate as well as long-term reductions in public spending would increase costs significantly for employers.

The sharp squeeze on government budgets imposed by the government's £1bn-a-week borrowing requirement also threatens the prospect of legislation next year to curb eligibility for invalidity benefit and to shorten the period for which the jobless are entitled to receive unemployment benefit.

After a weekend meeting of social security ministers to discuss the future of the welfare state, officials will today begin drawing up strategies to cap the inexorable rise in the department's £80bn budget.

Portillo sees modest upturn

By Peter Norman, Economics Editor

BRITAIN is heading for an economic recovery which will be modest compared with the 1980s but which should be "better sustained, for a longer period of time and with greater certainty", Mr Michael Portillo, chief secretary to the Treasury, said yesterday.

Speaking ahead of the publication of provisional first-quarter gross domestic product figures today that are generally expected to signal a formal end to recession, Mr Portillo said it was likely that rates of growth "even a few years out" would not be as fast as in the 1980s.

He said recent data on industrial production, retail sales, exports and from the housing market were "very encouraging" while, contrary to expectations, there had been falls in unemployment. The government was confident that it would meet its goal of holding underlying inflation in the 1 to 4 per cent target range this year and next, he added.

In an interview on BBC radio's World this Weekend, Mr Portillo promised the government would adjust its policies to keep inflation under control. Although "there was no immediate prospect" of the UK rejoining the European exchange rate mechanism, the government would take account of the sterling exchange rate in pursuing its goal of low inflation.

Because industry had kept control of wages, unit costs were falling, giving the British economy a lasting efficiency and competitive gain greater than that caused by the fall in the value of sterling since last September, he added.

Warning issued on British Gas break up

By Deborah Hargreaves

THE GOVERNMENT has been warned against breaking up British Gas by the gas consumers council, the lobby group opposed to moves by Ofgas, the industry regulator, aimed at dividing the group into separate companies.

Mr James Cooper, chairman of the council, said: "No case has yet been made for radical and irreversible restructuring."

In the council's annual report, which is published today, Mr Cooper says that any restructuring should show distinct benefits for the consumer. "Competition just for the sake of competition is no reason for change."

Proposals to break up British Gas are being considered by the Monopolies and Mergers Commission which is due to report at the end of July.

The council said that complaints from consumers about British Gas fell by 14 per cent last year to 19,281 – the biggest drop since 1989.

Britain in brief

Britain and Norway to resume talks

Negotiations between Britain and Norway resume today on the ratification of a NKr20bn UK gas import deal agreed two years ago amid fears that they may have reached an impasse.

The deal involves National Power, the electricity generator, buying 2.2bn cubic metres of gas over 15 years from the mid-1990s from GFU, Norway's gas negotiating committee.

National Power wants the gas to fuel two power stations to produce 1,300 megawatts. The deal would require an amendment to a treaty to allow new gas to flow through the Frigg pipeline which runs between the Norwegian North Sea Frigg gas field and St.Fergus in Aberdeenshire.

The GFU/National Power deal, which must have the backing of both governments, is viewed as a test case for the UK's policy on Norwegian imports. Norway insists it is ready to facilitate the deal and agreed in principle to a UK demand for access to the Norwegian North Sea Norpipe pipeline.

NatWest warns of jobless rise

National Westminster Bank, one of Britain's main clearers, expects unemployment to rise by another 210,000 and to peak at around 3.15m.

Base rates may also be cut by 0.5 per cent to 5.5 per cent in the summer – but the government will have to backtrack and increase rates to perhaps 7 per cent by next summer, according to Mr David Kern, the bank's chief economist.

Mortgage rates may also have to be increased but the housing market is set for a revival with prices rising by 3 per cent this year and 7 per cent next year, he said.

Companies resist change

Companies are still resisting the Accounting Standards Board's campaign to outlaw extraordinary items, according to a survey by Company Reporting, the monthly monitor of annual accounts.

During the last 12 months, the analysis showed that 39 per cent of a sample of 570 companies were continuing to use extraordinary items. For accounts published in the first quarter of 1993, the proportion was still 32 per cent.

Extraordinary items are income or expenditure outside the normal activities of a company that are not treated as part of earnings on the profit and loss account.

Their continued widespread use comes in spite of new standards issued in late 1991 by the Accounting Standards Board, which argued that very few items should be classified in this way.

Labour backs dealing move

The opposition Labour party is to support a campaign for changes to the government's Criminal Justice Bill to ensure that the offence of insider dealing is not too sweepingly defined.

"I have yet to be persuaded it will do anyone any good to create a large class of potential insiders who are doing no more than commentating on and analysing a company's likely results," according to Mr Alistair Darling, Labour's City spokesman.

The legislation, designed to implement a European Community insider dealing directive, would, as currently drafted, make it an offence not only to deal on the basis of inside information but also to take advantage of such information by disclosing it or by encouraging others to trade.

Pesticide tests condemned

Government tests for pesticide contamination in food have been condemned as unreliable and often inaccurate following tests on deliberately spiked foods performed by commercial laboratories.

The Food Commission said it had obtained Ministry of Agriculture documents which raised "disturbing doubts" about the accuracy of government contamination figures.

The documents showed that the government's Food Science Laboratory sent foods deliberately spiked with pesticides to more than 50 commercial laboratories which it regularly employs to carry out scientific analysis.

In one test, bread was spiked with three pesticides. But only 44 of the 58 laboratories identified all three contaminants.

هكذا من الأصل

هكذا من الأصل

Aer Lingus have responded to the British Midland challenge by reducing business class fares

TIMES 25.3.93

BA cuts Euro-business fares

DAILY TELEGRAPH 5.4.93

KLM revamps fare structure

TRAVEL TRADE GAZETTE 25.3.93

All that glitters...

Surprise, surprise.

No sooner had British Midland launched Diamond Euro-Class, the first separate Business Class cabin to offer a genuine choice of fares, than other airlines started jumping on the bandwagon, falling over themselves in their haste to offer price cuts in Business Class.

Exactly like British Midland's. Or rather, not exactly like British Midland's.

Because their reductions are only selective: <u>some</u> fares are reduced on <u>some</u> routes (usually the ones they share with British Midland) for <u>some</u> of the time.

In contrast, Diamond EuroClass means real choice, and real savings, on <u>all</u> three of our Business Class fares, on <u>all</u> our international routes, <u>all</u> the time.

We think this sort of knee-jerk response to a British Midland initiative demonstrates only too clearly that other airlines have nothing like our genuine commitment to delivering top-class business travel at reasonable cost.

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Diamond EuroClass

From Heathrow To:	EuroClass Executive Return Saving	EuroClass 3 Day Executive Return Saving	EuroClass Eurobudget Return Saving
AMSTERDAM	£56	£70	£84
BRUSSELS	£46	£76	£106
PARIS	£78	£93	£138
FRANKFURT	£34	£98	£125
DUBLIN	£48	£85	£83
NICE	£126	£172	£212
PALMA	£96	£134	£194

Compared to other airlines' full Business Class return fares.

British Midland

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ECONOMICS

Clear end to UK recession expected

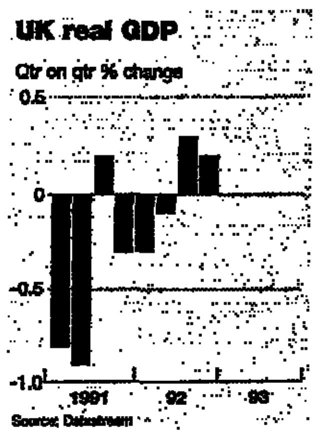
TODAY'S release of the provisional estimate of first quarter GDP figures in the UK will mark the clear end of a recession that began almost three years ago.

Economists say manufacturing output will be the driving force behind the rise, having increased *strongly so far this year.*

There will be more clues to the strength of the UK's economic recovery in the Confederation of British Industry's quarterly industrial trends survey tomorrow, generally a good guide to future trends in manufacturing.

But while the news in the UK might be good, the world's economic problems will be taxing the minds of G7 finance ministers and central bank governors when they meet in Washington on the eve of the IMF's Policy Making Interim Committee meeting.

Other economic highlights and figures this week follow. The figures in brackets are the median of analysts' forecasts, provided by MMS International, a financial information company.



Today: UK, provisional first quarter GDP (up 0.4 per cent on quarter, 0.8 per cent on year); Annual meeting of European Bank for Reconstruction and Development; Institute of Directors bi-monthly business opinion survey. US, Treasury Secretary Lloyd Bentsen addresses Independent Bankers' Association; International Monetary Fund releases half yearly World Economic Outlook; March existing home sales. The Netherlands, central bank annual report published. France, final April consumer price index (up 0.4 per cent on month, 2.1 per cent on year).

Tomorrow: UK, CBI quarterly industrial trends survey; EBRD meeting concludes. US, IMF managing director gives press conference; April consumer confidence index (63.0), Johnson Redbook week ended April 24; first quarter employment cost index. Japan, February leading diffusion index, coincident index; March retail sales (down 5.7 per cent on year).

Wednesday: US, March export price index, import price index; first quarter export price index, import price index; Canada, March industrial production price index, raw materials price index; Japan, March construction orders, housing starts (up 2.5 per cent on year), construction starts, industrial production, shipments. Australia, first quarter consumer prices index (up 0.7 per cent on quarter, up 0.8 per cent on year).

Thursday: US, G7 meeting of central bank governors and finance ministers; advance first quarter GDP figures (up 2.5 per cent), advance GDP deflator (up 3 per cent); fourth quarter after tax corporation profit (up 9.2 per cent); *initial claims for week* ended April 24 (350,000); state benefits for week ended April 17; March new home sales (575,000); money supply data for week ended April 19. Canada, February employment earnings. Japan, National holiday, markets closed.

Friday: US, meeting of IMF Policy Making Interim Committee; G10 industrial nations meet; March personal income (up 0.3 per cent), factory orders (down 1.8 per cent), factory shipments, bank credit; April Chicago NAPM, Michigan sentiment, agriculture prices. Canada, February real GDP. France, March unemployment rate (10.7 per cent). Japan, March unemployment rate; April Tokyo CPI (up 1 per cent on year), excluding perishables (up 1.4 per cent on year), national CPI (up 1.4 per cent on year), excluding perishables (up 1.7 per cent on year).

Saturday: US, IMF/World Bank Development Committee;

During the week: Germany, March producer prices index for west (up 0.1 per cent on month, up 0.3 per cent on year); April cost of living index for Badenwuert, Nord-rhine Westphalia, Hassen and Bavaria); March import prices (up 0.1 per cent on month, down 2.5 per cent on year); April preliminary cost of living index (up 0.3 per cent on month, up 4.2 per cent on year); February trade balance, current account. Switzerland, March CPI for Basle. Denmark, March WPI. Finland, March current account. Italy, March M2, non-EC trade balance, balance of payments, hourly wages (up 2.9 per cent), foreign exchange reserves (L66.1trillion). Belgium, April CPI (up 2.9 per cent on year). Spain, February industrial production.

Emma Tucker

RESULTS DUE

IMPERIAL Chemical Industries, the UK's biggest manufacturer, reports its first-quarter results on Thursday in the crucial run-up to the flotation of Zeneca, its bioscience subsidiary.

Analysts expect pre-tax profits of about £180m compared with about £211m for the same period last year.

They will be looking at the extent of the impact of the slowdown in continental Europe, particularly in fibres, as well as the upturn in films polyurethanes and acrylics in the US.

As for Zeneca, the rate of decline in US sales of Tenormin following the expiry of its patents will also studied. So, too, will the impact of the reform *of the EC's common agricultural* policy on European agrochemicals.

Sears, the UK retail group that includes the Selfridges department store and a large slice of the UK's shoe shops, is generally forecast to announce pre-tax profits of about £97m to £100m tomorrow before exceptional items of about £73m.

That would represent an improvement on last year's pre-exceptional £96.3m, although some forecasts are as low as £90m. The exceptional costs this year include about £32m for rationalising the footwear operations of British Shoe Corporation, other restructuring and redundancy costs, and a write-off for the sale of the Galliford housebuilding division.

Tarmac is expected to announce pre-tax losses of up to £356m when it announces its 1992 results tomorrow. The company is widely expected to adopt the FRS 3 accounting standard which means that provisions of more than £300m will be taken above the line. The final dividend of 5.5p is expected to be maintained.

The market will want to know what progress the company's disposal programme is making, particularly the planned sale of its waste disposal business. Analysts will also want to hear from Mr Neville Simms, chief executive, about progress the group is making in the recently renascent UK housing market.

PARLIAMENTARY DIARY

■ TODAY
Commons: Social Security, Attorney General's and Overseas Development questions. Finance Bill, second reading.
Lords: Trade Union Reform and Employment Rights Bill, report.
Select committees: public accounts, subject: costs and receipts arising from the Gulf conflict. Witnesses: Sir Christopher France, permanent [illegible]

[illegible]

of the civil service. Witnesses: association of first division civil servants; Mr Graham Mather, European policy forum (11am, room 8). Trade and industry, subject: work of the Department of Trade and Industry. Witness, Mr Michael Heseltine, trade and industry secretary (4.30pm, room 15).

■ WEDNESDAY
[illegible]

bus deregulation. Witnesses, local authority associations; passenger transport executive group; Oxford bus company; Stagecoach (4pm, room 17). Employment, subject: operation of employment legislation governing industrial disputes. Witnesses: Mr Bill Jordan, president, amalgamated engineering and electrical union; Mr Peter Hall, president, Times Electrics corporation (4.15pm, room 8). Home affairs, subject: Home Office annual report. [illegible]

■ THURSDAY
[illegible]

■ FRIDAY
[illegible]

DIVIDEND & INTEREST PAYMENTS

■ TODAY
ASDA 9¾% Bds 2002 £96.25
Australia (Commonwealth of) 11¾% Ln. 2015. £284.375
Bank Leumi (UK) 12.6p
Britannia Bldg. Society Flg. Rate. Nts. 1996 £159.86
Co-operative Bk. 9.25% Sub. Flg. Rate Nts. [illegible]

Do. Dep. Certs. DM5 to Bearer DM0.9
Italy (Rep. of) 10½% 2014 £1050
Lucas Inds.5¼% Conv. Bds. 2002 2.1p
Novo-Nordisk AS DKr4

■ THURSDAY APRIL 29
Banco Real 9½% Nts. 1994 $11,875
Bayer 0.9p
[illegible]

Chemical Banking $0.33
Do. Flg. Rate Snr. Nts 1999 $43.75
Citicorp Banking Gtd. Flg. Rate Sub. Cap. Nts. $132.71
Clondalkin Ir2.898p
Collateralised Mortgage Secs. (No.4) Mort. Bkd. Flg. Rate Nts. 2027 £146.01
Do. (No.6) Mort. Bkd. Flg. Rate Nts. 2027 [illegible]

06 £3.875
Lookers 4.2p
Lowe's $0.08
Maunders (John) 2.3p
Mayne Nickless A$0.15
McAlpine (Alfred) 3.5p
Do. 9% Cm. Pf. 4.5p
Natl. Westminster Bank Var. Rate Cap. Nts. [illegible]

Vaux 7% Cm. Pf. 2.45p
Do. 4½% Cm. Pf. 1.575p
Do. 6½% Cm. Pf. 2.275p
Watmoughs 8.8p
Wells Fargo Flg. Rate Sub. Nts. 2000 $43.75
Western Mining A$0.03
Wyevale Garden Centres 1.52p

■ SATURDAY MAY 1
[illegible]

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
[illegible]

CONFERENCES & EXHIBITIONS

APRIL 28
After The Coal Debate;
The future of Britain's coal industry. The Brewery, London. How big will the market for coal be. How will private miners fare. How much is British Coal worth and how will it be privatised? Contact: Annette Horsbrough, Coalfrans Conference. Tel: 081 944 6698. Fax: 081 944 5385. LONDON

APRIL 28 & 29
Financial Innovation – New Directions For The 90s
This high-level forum will review developments in financial innovation in a period of low growth and low inflation and consider future trends. Enquiries: Financial Times. Tel: 071 814 9770. Fax: 071 873 3975/3969. LONDON

MAY 5
Investing in Biotechnology
Hambrecht & Quist Incorporated and Biotechnology Investments Limited are pleased to present a one-day conference featuring panel discussions and corporate presentations by leading biotechnology firms. For further information, call: London 071-634-2883 New York 212-207-1473 LONDON

MAY 5-6
Know Your Competitors: Competitor Intelligence & Analysis Inc. Benchmarking
A practical two day seminar/workshop from the UK's No. 1 specialists. Practical case exercises, successful case studies. Guest speaker who is head of a major company's intelligence unit. Contact: Patricia Desmond, EMP Intelligence Service. Tel: 071 487 5665. Fax: 071 935 1640. LONDON

MAY 10-11
5th European Financial Services Conference "Rebuilding The Bank – Restoring Profitability"
Business Process Redesign; Downsizing; Re-engineering. Ensure your future viability. Speakers: Brian Pitman, CEO, Lloyds Bank; Gene Lockhart, ex CEO, UK Banking, Midland Bank; Tom Jones, EVP, Financial Control, Citibank. Contact: Elaine Fitzsimons, Lafferty Conferences, Dublin. Tel: 353 1 718022 Fax: 353 1 713594. LONDON

MAY 10-11
Promoting I.T. And Business Partnership
This two day conference explores the approaches to achieving partnership between I.T. and the business, including changes in working practices, I.T. organisation and the development of managers with balanced 'hybrid' skills. Contact: Business Intelligence. Tel: 081 544 1830. Fax: 081 544 9020. LONDON

MAY 10 & 11
European Securities Markets
The implementation of the EC's Capital Adequacy and Investment Services directives, the future structure of European equity and bond markets, the needs of international companies in raising equity and debt finance will be discussed. Enquiries: Financial Times. Tel: 071 814 9770. Fax: 071 873 3975/3969. LONDON

MAY 11
Total Remuneration In Europe: New Approaches
Remuneration packages must motivate employees, yet remain cost effective to companies. This conference provides a strategic approach to total remuneration design for European transfers through case studies and discussion. Contact: Natalie Monden, CBI Tel: 071 379 7400 LONDON

MAY 12-14
Mexico and the NAFTA: Who Will Benefit?
Two day conference (keynote speech the preceding evening) on macro-economic and sectoral consequences of NAFTA. Speakers from US, Mexico and Canada and British business, on finance, investment, agriculture, trade labour, environment. Organisers Institute of Latin American Studies and London Chamber of Commerce. Contact: ILAS Tel: 071 387 5671 Fax: 071 388 5024 LONDON

MAY 17
Restructuring In The Insurance Industry
A change in regulatory climate, recession and catastrophes have brought about evolution in the insurance industry. There are opportunities to be seized, but the risks are high. Find out more from leading figures at this conference. Contact: Acquisitions Monthly Conferences. Tel: 071 823 8740. Fax: 071 581 4331. LONDON

MAY 18
Relocation – A Boardroom Perspective
This IOD half day seminar, held in association with Black Horse Relocation, unravels the complexities of a company move providing directors with the guidance they need to capitalise on the evolving advantages that may be secured through relocation. Enquiries: Director Conferences Tel: 071 730 0022 LONDON

MAY 19
Improving Oil Industry Cost Competitiveness Through The Logistics Chain Conference
Presentations will consider primary supply, storage and handling and road distribution, and will highlight developments aimed at optimising efficiency of this vital part of the oil business. Contact: Caroline Little, Institute of Petroleum. Tel: 071 636 1004. Fax: 071 255 1472. LONDON

MAY 19-20
Introduction to Options Court - Parts 1 & 2
Day 1: Basic Terminology, Option Pricing, Trading & Hedging Strategies; Day 2: Volatility, Advanced Trading Strategies, Portfolio Management. Venue: Cambridge Science Park, CAMBRIDGE. £345 (1 day only), £595 (both days) Contact: Kathy Page, Brady Financial Seminars. Tel: (0223) 423250 CAMBRIDGE

MAY 20 & JUNE 8
Benchmarking - Organisational Performance & Improvement
A practical one-day seminar/workshop, lead by the authors of the forthcoming Financial Times Business Series book on Benchmarking. Contact: Sulil Bendell, Services Ltd. Tel: 0602 455285. Fax: 0602 817137. GLASGOW & LONDON

MAY 21
IADB Conference – Meeting The Investment Needs Of Latin America
Dr Enrique Iglesias hosts this event sponsored by Canning House, ING Bank, Latin American Newsletter and Foreign & Colonial Emerging Markets Investment Trust. Focus on capital requirements, nature and size of capital flows. Contact: Marc Lee, Cityforum. Tel: 0225 466744. Fax: 0225 442903. LONDON

MAY 24-25
Oil & Gas Transport and Security In The Former USSR
A detailed assessment of the structure, control, economics and politics of the FSU's energy transportation infrastructure (pipelines, railways, waterways, roads). Co-hosted by Transneft, Gazprom, and the Kazakh Ministries of Fuel-Energy and of Transport. Contact: Europe Energy Environment. Tel: 071 493 4918 Fax: 071 355 1415 LONDON

MAY 25
Petroleum-Based Land Contamination
This conference will appeal to companies *involved in the manufacture, storage, handling* and use of petroleum products, both from a legislative and practical view; also local authorities responsible for planning, environment, health, building or land use. Contact: Caroline Little, Institute of Petroleum. Tel: 071 636 1004. Fax: 071 255 1472. LONDON

MAY 25
The New Uganda
This conference will outline the latest developments and views of Key Ugandan Government Ministers on a wide range of economic topics. His Excellency President Yoweri Museveni will deliver the keynote conference speech. Contact: Nicki Martin, CBI Conferences Tel: 071 379 7400. Fax: 071 497 3646. LONDON

MAY 25-27
The RoSPA International Safety & Health Exhibition and Congress
Europe's largest annual safety & health exhibition and congress now in its 11th successful year. The event will provide vital information, services and products. Opening times: Tues, Wed, Thurs 25,26,27 May 10.00 - 17.00 hours Enquiries: Hazel Kirby - Centre Exhibitions. Tel: 021 780 4141 (Ext 2665) BIRMINGHAM

MAY 26
Private finance for public projects
Speakers include: Norman Lamont, John MacGregor, Virginia Bottomley. This conference explores the Government's aim of attracting private finance in a number of public sector areas including the transport and health services. Contact: Nicki Martin, CBI Conferences Tel: 071 379 7400 Fax: 071 497 3646 LONDON

MAY 26/27
Interest Rate Risk Management Course
Day 1: Yield Curve construction and Risk. Libor and Derivative Instruments. Day 2: Risk Models. Hedging Basic Derivative Instruments, Trading workshop sessions. Venue: Cambridge Science Park, CAMBRIDGE. £345 (1 day only), £595 (both days). Contact: Kathy Page, Brady Financial Seminars. Tel: (0223) 423 250 LONDON

MAY 27
Acting For Lloyd's Underwriters
Seminar for professional advisers to Names on latest changes at Lloyd's. The new Business Plan and tax reforms analysed, Names Action Group's explained, and [illegible]. Speakers from Ernst & Young, Willis Faber, Sturge, Brookbank Shipton, Lloyd's and Clubs. Contact: Business Briefings Consultants Tel: 0444 416678 Fax: 0444 441162 LONDON

MAY 27
Open Systems: A Critical Review
This one day conference gives a realistic assessment of their relevance to today's I.T. strategies. Should every organisation be planning for an open systems environment? If not, what architectures should they be backing? Is there a compelling business argument for backing open systems? Contact: Business Intelligence. Tel: 081 544 1830. Fax: 081 544 9020. LONDON

JUNE 1 - 2
New Financing Opportunities In the Metals Industry
This 1½ day conference will provide a timely forum to discuss and debate investment and trade finance aspects of the metals and mining industries of the world. Contact Diana Little at Metal Bulletin for more details Tel: 071 827 9977 LONDON

JUNE 3-4
1993 The Year of Vietnam Business: Opportunities For The Oil & Gas Industry
Cafe Royal, London W1. This two day conference will launch Vietnam's plans to rapidly and massively expand its oil & gas industry at all levels. Contact: Nadia Ellis, IBC Technical Services. Tel: 071 637 4383 Fax: 071 631 3214 LONDON

JUNE 7
Business Re-engineering: A new role for I.T.
This one day management conference provides an incisive guide to the challenges presented to the I.T. function. There will also be opportunities to obtain hands-on experience of some of the new software tools which support business modelling and redesign. Contact: Business Intelligence Tel: 081-544 1830 Fax: 081-544 9020 LONDON

JUNE 7 & 8
North Sea Oil & Gas
The conference will review exploration and production activity, the importance of North Sea assets to energy companies, the challenges facing operators and contractors in a mature sector and the outlook for investment. Enquiries: Financial Times. Tel: 071 814 9770. Fax: 071 873 3975/3969. LONDON

JUNE 8
Current Developments In North Sea Drilling Operations
The conference papers will give a topical overview covering company contractor relationships, safety management, environmental issues, shallow gas hazards/safety cases and future technology. Contact: Caroline Little, Institute of Petroleum. Tel: 071 636 1004. Fax: 071 255 1472 LONDON

JUNE 9
Copyright In The Age Of Electronic Publishing And Multimedia
A conference to explore national, European and international perspectives on regulation, and to address issues of intellectual property rights, law and convention, media piracy and data protection. £175. Contact: Alison Roberts, The London Institute Tel: 071 735 0810 Fax: 071 735 4256 LONDON

JUNE 17
Outsourcing I.T.: A Critical Assessment
This one day conference is designed to help senior I.T. and business managers assess the potential value of outsourcing to their organisations, and to identify the factors which contribute to the successful selection and management of such arrangements, including contractual and other practical questions. Contact: Business Intelligence. Tel: 081-544 1830 Fax: 081-544 9020 LONDON

JUNE 28 - AUGUST 6
The London School of Economics is offering a selection of intensive formally examined three week courses in the fields of Management and International Studies, any of which are highly topical, e.g. Politics of Global Finance, Corporate Finance, CIS and E. Europe, Nationalism, The New Europe and the World Economy. Contact: Nicola Meakin Tel: 071 955 7533 Fax: 071 955 7675. LONDON

JUNE 30
Business Performance Measurement: The Instruments of Corporate Change
A half-day executive seminar on new approaches to management reporting and control. Harvard Business School guru Robert Eccles and senior UK executives explore how to introduce new, non-financial and 'upstream' indicators into the business planning and reporting process. Contact: Business Intelligence Tel: 081-544 1830 Fax: 081-544 9020 LONDON

JUNE 30 - JULY 1
EIS 93: Executive Information Systems Conference & Exhibition
Europe's leading conference on executive and management information systems. Over 20 speakers from major international companies explore key applications including finance, marketing, business planning, quality and customer service. Plus a unique exhibition of all the leading suppliers of EIS. Contact: Business Intelligence Tel: 081-544 1830 Fax: 081-544 9020 LONDON

JULY 7-9
Disaster Recovery & Business Continuity Planning Conference & Optional Workshop
New York World Trade Centre Keynote Royal Mail, Express Newspapers, BT, IBM, National Power, Nuclear Electric, GRE, Chase Manhattan, TSB, Royal Bank of Canada, and Glaxo provide practical lessons in contingency planning. Contact: AIC Conferences Tel: 071 779 8838 Fax: 071 779 8663 LONDON

INTERNATIONAL

APRIL 28-29
Asset Securitisation In the Nordic Countries
Sponsored by Goldman Sachs and Clifford Chance. Key Nordic government officials and international experts will look at the use of securitisation to explain practicalities for banks, corporates, investors and intermediaries. Contact: Karen Pedersen, Euromoney Tel: 071 779 8831 Fax: 071 779 8835 STOCKHOLM

APRIL 29
Business Opportunities within Economic Funding for Eastern Europe & The FSU
Examining the financial desirability of becoming involved in economic aid programmes (PHARE & TACIS). Introduction of the new EC Law Reform initiative, Consortia Building, Kazakhstan & Albania Case Studies. Interforum Services. Tel 071 386 9322 Fax 071 381 8914 BRUSSELS

MAY 5-6
DRI/McGraw-Hill's World Cars and European Trucks Conference
will bring together DRI's latest authoritative forecasts with key outside speakers to address the issues of the current cycle in the automotive industry and to anticipate the critical questions to be faced in the next five years. Contact: Corinne Redonnet. Tel: 081 545 6212 BRUSSELS

MAY 12-14
Structuring Successful International Assignments
Major two day conference for human resource professionals from both experienced and emerging multinationals who plan and manage international staff transfers. £550 Contact: Stephen Grant, Ernst & Young. Tel: 071 931 2980. Fax: 071 583 5446 VIENNA

MAY 17-18
Distressed Commercial Real Estate Assets: Strategies for Disposition
Euromoney's first seminar examining the opportunities for selling underperforming commercial real estate loans and other assets. Regulators and other experts will examine the alternatives. Keynote speaker: William Seidman, Samuel Zell. Contact: Bonnie Bristow, Euromoney Tel: 071 779 8833. Fax: 071 779 8835 NEW YORK

MAY 24-25
European Food and Drink Industry Conference
"What really matters in the European arena". This conference explores the design of competitive organisational structures and formulation of marketing strategies for national and multinational players. Contact: Management Centre Europe. Tel: 32-2-516.19.87 Fax: 32-2-513.71.08 BRUSSELS

MAY 25 & 26
Asian Electricity
The aim of the meeting is to provide a high-level forum to review regional privatisation programmes, discuss power project financing and consider future fuel choices. Enquiries: Financial Times. Tel: 071 814 9770. Fax: 071 873 3975/3969. SINGAPORE

MAY 25-27
"Asia And World Textiles"
Will examine Asia-Pacific's enormous potential as a source/market for investment, technology, clothing and other textile products. Factory visits to China, Sri Lanka and Taiwan will follow the wealth of opportunities that this conference will provide. Contact: Hannah Barker. Tel: +44 (0)61 834 8457. Fax: +44 (0)61 835 3087. HONG KONG

JUNE 8-10
Ukraine – The New Business Partner
Two day conference exploring financial & economic opportunities in Ukraine. Optional day of visits to Ministries & TACIS office. Topics include Economic Reform, Privatisation, Foreign Investment, Ukrainian & Western speakers. Contact: Interforum. Tel: +44 071 386 9322. Fax: +44 071 381 8914. KIEV

JUNE 23-25
21st Annual International Pharma Conference
"Competitive Excellence in the New Pharma Environment" This international forum for top executives focuses on what will dictate the competitive position of pharma companies in the new business environment. Contact: Management Centre Europe, Brussels. Tel: +32-2-516.19.87, Fax: +32-2-513.71.08 BRUSSELS

JUNE 24-25
Competitive Intelligence
Participate in a 1½ day programme of advanced-level seminars presented by Kirk Tyson and other business intelligence experts. Learn how to organise the intelligence function, and link it with the strategic management activity of the firm. Learn about powerful analytical tools and to ensure competitive scientific and technological strengths. Contact: IIB SA. Tel: +41 22 362 77 67 Fax: +41 22 362 77 92 GENEVA

JUNE 28-29
2nd International Bank Marketing Conference
Theme: "Strategies for all Seasons" - Overcome the marketing challenge for the 90s: Database Marketing, Direct Service Provision, Merchandising, Financial Relations, Advertising Financial Services, Marketing in a Recession, Micromarketing. For further details contact: Catherine O'Reilly, Lafferty Conferences. Tel: (+353 1) 718022 Fax: 713594 PRAGUE

JUNE 28-29
Euromex Energia 93
Excellent opportunity for EC companies to make business contacts and exchange information with key personnel in a growing mexican energy industry - a multi-dimensional programme organised by the European Commission and CONAE, arm of the Energy Ministry, Mexico. Contact: EC Secretariat, London. Tel: (44 81) 660 7290 Fax: (44 81) 660 7971 MEXICO D.F.

JULY 5 - 9
The 8th Anglo/Japanese High Technology Industry Forum 1993
Convened by the Royal Institute of International Affairs, London and The Japan Economic Foundation, Tokyo. To be held in Tokyo. For further details please contact: Andrew Ackroyd, The Royal Institute of International Affairs, Chatham House, 10 St James's Square, London SW1Y 4LE Tel: 071 957 5700. Fax: 071 957 5710 TOKYO

After 10 years fighting the old boy network, Pro Ned now faces questions about its own future, says **Andrew Jack**

Big changes to take on board

When Amstrad, the UK electronics group headed by Alan Sugar, advertised late last year for the appointment of two non-executive directors, Colin St Johnston was entitled to indulge in an ironic smile.

As managing director of Pro Ned, the organisation for the promotion of non-executive directors which co-ordinated the recruitment, he was witnessing the remarkable alliance of a vocal advocate for reform of corporate governance with a company criticised for its failure to embrace the topic.

A decade after it began producing annual reviews, Pro Ned retains an evangelical slant, calling regularly for an end to the "old boy network" for appointments, and providing booklets and hosting conferences to promote better boardroom practice. But some are now questioning whether it should continue in its current form.

Pro Ned came into being in 1981 with the backing of nine sponsors including the Bank of England, the Confederation of British Industry and the Stock Exchange. Its first, typewritten annual review in 1983 may have since been replaced by rather more glossy production techniques. But its objectives have remained almost unchanged.

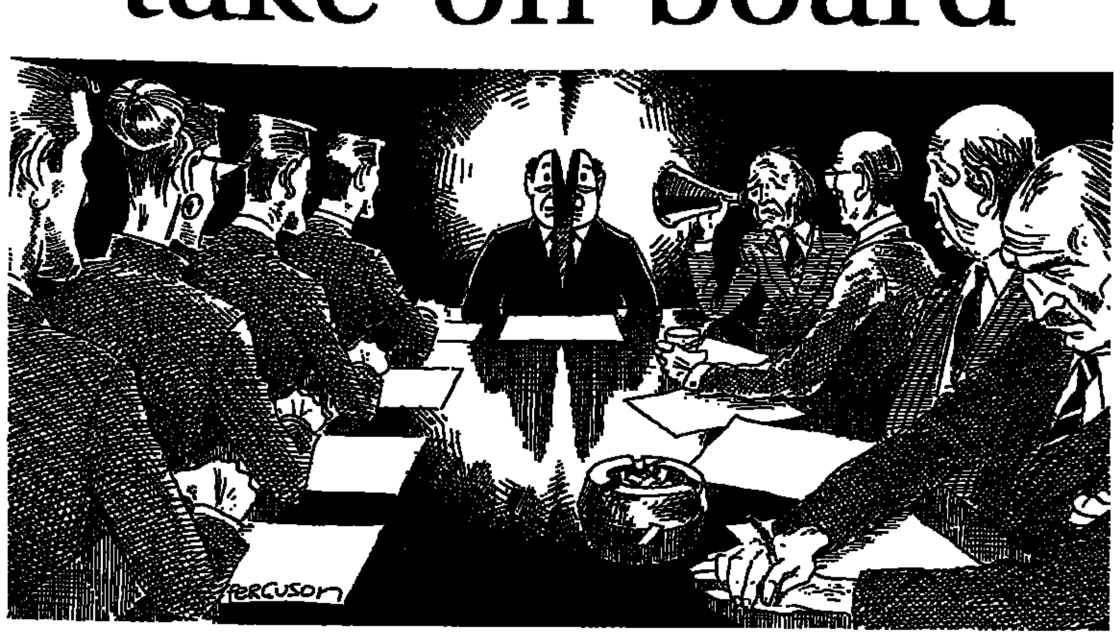
The first and primary aim was "to create a climate of opinion in which boards perceive that it is in their own interest to put their house in order". That meant promoting independent non-executive directors and encouraging the split of roles between chairman and chief executive.

The second aim was to create a search service to help companies find these directors. In 1983, Pro Ned estimated that just 5 per cent were selected through search firms while three-quarters came through the personal recommendations of the chairman, company directors or senior management.

One senior executive with knowledge of the organisation says: "It worries me that Pro Ned lacks a clarity of purpose and focus and is not as commercial as it might be." He cites the dominance of representatives of associations rather than working business executives on the Pro Ned board.

Peter Waine, joint chief executive of Hanson Green, a search firm for non-executive directors which claims to place nearly half the estimated 600-700 vacancies a year, has "a lot of respect" for Pro Ned. "But I think it has probably lost its purpose as an appointments agency. It should stick to being a professional institute."

Of the 850 people on Pro Ned's register, 60 per cent are 55 or older, and just 10 per cent are women. *Many names stay on the register for* years without being selected. Waine says the register is too reactive, and offers candidates "in the twilight of their careers" who are too reliant on non-executive remuneration to act independently.



But St Johnston argues that Pro Ned actively canvasses for new names, and does not "purge" its list too ruthlessly because candidates who have been untouched for years can suddenly be requested. He stresses that companies hunting for non-executives can consult the register without identifying themselves, and in the knowledge that candidates will be available.

Less controversy surrounds Pro Ned's primary aim. "The promotion of non-executives was one area in which there was no division between the City and industry," says Jonathon Charkham, adviser to the governors of the Bank of England and Pro Ned's first director in 1981-85.

Sir Adrian Cadbury, Pro Ned's chairman, says: "Pro Ned has established itself as the one really independent source of advice and has become an accepted authority. Everyone else has an axe to grind. But we have an enormous job still to do to make directors more independent and more effective."

There is little doubt that there has been tremendous change in the last decade. According to figures from Hemmington Scott, the corporate information company, all FTSE-100 companies now have non-executive directors, as do all but 8 per cent of the 1,533 UK-quoted companies excluding investment trusts. Four-fifths have split the roles of chairman and chief executive.

By contrast, a survey by the Bullock Committee showed that one quarter of the Times 1,000 companies had no non-executive directors in 1976. Even in 1982, a Bank of England survey showed 20 per cent without any on the board.

How far Pro Ned was responsible for this change is difficult to assess. Other organisations and some regulators in the UK and overseas have influenced changes in corporate governance.

Charkham cites at least one instance of a Pro Ned-generated idea: that quoted companies should publish details of the backgrounds of non-executive directors in their annual reports. That was taken up by the Stock Exchange, and is now a listing requirement.

A more fundamental question is whether Pro Ned's campaigning zeal has been focused in the right direction. Most evidence on corporate governance is dangerously anecdotal. A recent analysis by Hemmington Scott suggests that there is little correlation between long-term corporate performance and the presence of non-executives or the separation of chairmen and chief executives.

Equally, some argue that the organisation has focused on topics on which there is considerable consensus while neglecting more controversial but important issues, such as the scope for two-tier or supervisory boards.

Sir Adrian says: "That is an important question but let's not divert attention from what needs to be done here and now." He admits that there is a tension between the campaigning and the recruitment roles of the organisation, and says he will be drawing up options for his successor before retiring from the board next year.

Are two heads better than one?

Are we in danger of going overboard on corporate governance? No one challenges the concept or the objectives – but who is counting the cost? Ultimately, are shareholders getting added value?

For example, splitting the roles of chairman and chief executive can be expensive, particularly at executive level. Two salaries for what was previously one job is the starting point. And how often is the chief executive reimbursed at a lower level than his predecessor, who had been handling the dual role? Even a part-time chairman will, almost inevitably, bring an additional burden to the payroll.

The hidden costs are more difficult to identify and justify. Decision making with one ultimate arbitrator should be straightforward. *A decision with split roles* can be time-consuming but the outcome is unlikely to be materially different or more profound from two minds than from one.

Another issue arises over communicating with the City, a process that the chairman is duty-bound to lead. Yet it is the chief executive who really knows the business, and it is he who fund managers wish to hear. I suspect that this will not be easy for many chairmen to accept.

Many senior executives are frustrated with the challenge of working for two masters, particularly if they worked closely with someone combining efficiently the two roles. If a company has in place a well qualified, independent set of non-executive directors, are further safeguards necessary? If arm's-length committees covering audit, renumeration and so on are in *place and working efficiently, will* the horrors of the past be repeated?

When too much power lies in one person's grasp, then the likelihood of fraud, dishonesty and variations on those themes is always a danger. But executives and companies of the highest integrity will always outnumber those with the propensity to go off the rails. It should not be necessary, as a matter of course, for every company to split the chairman and chief executive.

In providing such safeguards companies are often wasting hundreds of thousands of pounds.

It is time to think again, to analyse the practical implementations and to consider carefully whether we really are creating a better, safer corporate world.

Alex Renfield

The author is employed at a senior level in an FT-SE company.

'Flexecs' show their muscle

By Kate Button

Being made redundant is not such a big deal, according to John Rauwerda, fiscal manager at the Foundation for San Francisco's Architectural Heritage. For him it was a blessing in disguise.

As in the UK, executives in the US have recently discovered that redundancy is not a malaise restricted solely to the ranks of the blue-collar worker. But Americans are finding increasingly that being a temporary executive has its perks.

Rauwerda is one of thousands of executives who fell foul of recessionary layoffs and then found another position after a period as a "flexecutive". With more than 30m Americans employed as either temporary workers, part-timers or independent contractors, the contingent workforce has become one of the fastest-growing sectors of employment in America and accounts for more than 25 per cent of civilian jobs.

"I had been working on a temporary assignment at the Foundation for four months when they offered me a permanent position," says Rauwerda. "I took it because it gave me security."

For those who sit in wait for their next permanent role, becoming a flexecutive has advantages. According to Tom Johnston of *New York-based Interim Executive Services*, approximately 52 per cent of temporary executives receive permanent job offers. In addition, interim employment eliminates gaping voids on a CV and broadens one's skill base.

Not everyone regards temporary employment as a stop-gap. Amy Ross presently heads up the benefits unit at Lifescan, a nationwide medical monitoring manufacturer. Ross left the permanent job market because she sought greater freedom and flexibility.

"I was burned out and my former role was too demanding. This way I'm more in control," she says. Ross, who spent two months travelling with her family recently, says that she would not accept a permanent job if it was offered to her.

But Ross is fortunate in that temporary employment suits her lifestyle. Others are resigned to a career in temporary executive roles because they do not see the employment market supplying sufficient opportunity for them to return to the permanent positions they would prefer.

In the present economic climate there are advantages for companies in favouring temporary recruitment, especially at the higher echelons of management where perks are expensive. Temporary employees do not receive holiday pay, maternity leave, health care insurance, pension plans or sick leave.

It is largely for this reason that the incidence of temporary employment rises towards the end of a recession when companies find they have been too eager with the paring knife and need certain skills on board, but cannot afford a permanent executive.

Small companies as well as large have been attracted towards the ever increasing pool of executive expertise on the marketplace. Many have used temporary skills to cover for under-staffing caused by maternity leave, sabbaticals or overly enthusiastic redundancy programmes.

Says Don Muller, the director of client services for lawyers Thelen, Marrin, Johnson and Bridges: "I bring in the level of expertise I need, when I need it." Muller now finds that while his permanent staff is on the decrease, his use of *flexecutives is on the increase and* there is rarely a time when he does not have at least two temporary top managers on the payroll.

Muller stresses the financial advantages for companies are enormous. Recently, he employed a specialist to set up a new communications system within the company, at a rate of $100 (£65) an hour.

The project took seven weeks, and the individual worked a 20-hour week, costing $14,000. "Had I employed her full-time, her level of expertise would have warranted a $120,000 annual salary," explains Muller.

Recent reports by the Bureau of Labour Statistics suggest that the growing army of "discouraged workers" in the US (resigned to never securing another permanent job) has reached 1m, while the temporary professional sector is the fastest growing segment of the temporary-worker industry, generating $70m per annum.

LEGAL NOTICES

The Trade Marks set out below were assigned on: 5 October 1992

by: Seton Healthcare Group plc

to; Beiersdorf UK Limited Yeomans Drive
Blakelands
Milton Keynes
Buckinghamshire
MK14 5LS

WITHOUT THE GOODWILL OF THE BUSINESS IN THE GOODS FOR WHICH THE TRADE MARKS ARE REGISTERED.

TRADE MARK NO;	MARK;	GOODS SPECIFICATION;
1187411	PRESSCAR	Pharmaceutical, veterinary and sanitary substances; plasters for medicinal use; materials prepared for bandaging.
1411533	PRESSCAR	Support bandages; elastic bandages; slings and tourniquets; support garments and pressure garments; all for medical use; bandage applicators, bandage clips, bandage guides; all included in Class 10.
1411534	PAN MED	Plasters and dressings, all for surgical and medical use; bandages; material prepared for bandaging; surgical stockinette; all included in Class 5.
1411532	PAN MED	Support bandages; elastic bandages; slings and tourniquets, support garments and pressure garments; all for medical use; bandage applicators, bandage clips, bandage guides; all included in Class 10.
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COMPANY NOTICES

NOTICE OF REDEMPTION TO THE HOLDERS OF MAGNA INTERNATIONAL INC.

7% Convertible Subordinated Bonds Due 1993

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust Deed dated November 26, 1986 between Magna International Inc. (the "Company") and The Canada Trust Company, as trustee, as amended by a Supplemental Trust Deed dated October 22, 1990 between the Company, The Canada Trust Company and National Trust Company, as successor trustee, and by a Supplemental Trust Deed dated June 1, 1992 between the Company and National Trust Company, as trustee (which Trust Deed, as amended, is hereinafter referred to as the "Amended Trust Deed"), the Company has elected to redeem and will redeem on May 26, 1993 (the "Redemption Date") all of its outstanding 7% Convertible Subordinated Bonds Due 1993 (the "Bonds") by payment to the holders thereof of the redemption price of 101% of the principal amount thereof, together with accrued and unpaid interest to the Redemption Date of U.S.$35.19 per U.S.$1,000.00 Bond.

Payment of the redemption price (U.S.$1,045.19 per U.S.$1,000.00 principal amount, including accrued interest and premium) will be made to holders against presentation and surrender of the Bonds together with all unmatured coupons appertaining thereto and a copy of this notice at The Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London, EC2P 2HO; Banque Bruxelles Lambert S.A., 24 Avenue Marnix, B1050 Brussels; Chase Manhattan Bank, Luxembourg, S.A., 5 Rue Plaetis, L-2338, Luxembourg; or Chase Manhattan Bank, Switzerland, 63 Rue du Rhone, CH 1204 Geneva (collectively, the "Paying and Conversion Agencies").

Holders of Bonds are reminded of the right to convert the bonds into fully paid and non-assessable Class A Subordinate Voting Shares of the Company at the current conversion price of U.S.$20.75 per share. Such right may be exercised at any time prior to the close of business (London,England time) on May 19, 1993 by surrendering the Bonds, together with all unmatured coupons appertaining thereto, to any of the Paying and Conversion Agencies accompanied by a duly signed and completed conversion notice. Copies of the conversion notice form may be obtained from any of the Paying and Conversion Agencies. Please note that, pursuant to the provisions of the Amended Trust Deed, the conversion right will expire at the close of business (London, England time) on May 19, 1993.

NOTICE IS FURTHER GIVEN that, pursuant to the provisions of the Amended Trust Deed, all interest upon the principal amount of the Bonds shall cease to accrue from and after the Redemption Date and coupons for interest accruing after the Redemption Date shall become and be void.

DATED at Markham, Ontario, Canada this 26th day of April, 1993.

Brian R. MacLEOD
Secretary

LEGAL NOTICES

INSOLVENCY ACT 1986
LAKESMERE GROUP PLC
WALCON CONSTRUCTION PLC
LAKESMERE ESTATES LIMITED
GUNCRETE REPAIR SERVICES LIMITED
ALL IN ADMINISTRATIVE RECEIVERSHIP

Notice is hereby given pursuant to Section 48(2) of the Insolvency Act 1986 that a meeting of the creditors of the above named companies will be held at 11.00 am on 28 April 1993 at the Polygon Hotel, Cumberland Place, Southampton for the purpose provided for in Sections 48 and 49 of the said Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.

For the purpose of voting a statement of claim must be lodged with me not later than 12 noon on the business day before the meeting. Any proxy intended to be used should be lodged with me prior to the meeting. Statement and proxies should be lodged at Wessex House, 19 Threefield Lane, Southampton, SO1 1TW.

W J H Elles
Joint Administrative Receiver
Dated this thirteenth day of April 1993

AB ELECTROLUX

TO THE SHAREHOLDERS OF AKTIEBOLAGET ELECTROLUX

The ANNUAL GENERAL MEETING of the Company will be held at Konserthuset, Stora salen, Hötorget, Stockholm, Sweden, on Tuesday, May 18, 1993, at 3.00 p.m.

Agenda

1. Ordinary business
   Matters prescribed by the Swedish Companies Act 1975 and by the Company's Articles of Association including, inter alia, presentation of the annual report and accounts and the auditor's report on the Company and of the consolidated annual accounts and the auditor's report on the Group; resolutions on the adoption of the profit and loss statement and the balance sheet and of the consolidated profit and loss statement and the consolidated balance sheet; on appropriation of the Company's profit according to the adopted balance sheet; and the resolutions on the Directors' and the Managing Director's discharge from liability and on the election of Directors, Deputy Directors and Auditor.
2. Authorization to issue a convertible debenture loan
   Proposals by the Board of Directors that the Board be authorized, until the next Annual General Meeting, to decide to issue a convertible debenture loan in the nominal amount of DEM 80,000,000, convertible into ordinary shares in AB Electrolux of Series B, such issue - deviating from the shareholders' preferential right of subscription - to be subscribed by AEG Aktiengesellschaft. The term of the loan is intended to be approximately five years and the loan shall carry interest at a rate of 8.9% p.a. The conversion rate shall be SEK 475 with a fixed rate of exchange applicable upon conversion of DEM 1 = SEK 3.60. Upon full conversion of the loan, the share capital - with the said conversion and exchange rates - will increase by fully SEK 15 million which corresponds to 0.8% of the present share capital and to 0.03% of the number of votes.

   The reasons for the deviation from the shareholders' preferential right of subscription are the following.

   As earlier made public, AB Electrolux has reached a cooperation agreement with AEG Aktiengesellschaft under which among other things Electrolux will acquire 10 per cent of the shares in AEG Hausgeräte Aktiengesellschaft with the possibility of increasing its shareholding to 20 per cent, and AEG Aktiengesellschaft will subscribe a convertible debenture loan issued by AB Electrolux.

   The cooperation will strengthen Electrolux' competitive position in Europe by creating economies of scale in product development and production, and also enable Electrolux to meet more effectively the increasing competition from the United States and Japan in the European domestic appliance market.
3. Amendment of the Articles of Association
   The proposal by the Board of Directors that the wording of the present so-called record day provision in §12 of the Articles of Association be adapted to current legislation.

Attendance at the Meeting

Shareholders who intend to participate in the meeting must be registered with Värdepapperscentralen VPC AB (Swedish Security Register Center) not later than Friday May 7, 1993. In addition, notice of intent to participate must be given to Electrolux not later than 4 p.m. on Thursday May 13, 1993, by mail to AB Electrolux, Dept. C-J, S-105 45 Stockholm, Sweden, or by telephone at Int +46 8 738 6793 or 738 6789. Notice should include the shareholder's name, registration number if any, address and telephone number.

Shareholders whose shares are registered through banks or trustees must have their shares temporarily registered in their own names at VPC not later than Friday May 7, 1993.

A shareholder may attend and vote at the meeting in person or by proxy but in accordance with Swedish practice the Company does not send forms of proxy to its shareholders. Shareholders wishing to vote by proxy should submit their own forms of proxy to the Company.

Dividend

Subject to endorsement by the meeting of the Board's proposal of May 24, 1993, as record date for the dividend, it is expected that dividends will be paid by VPC on June 1, 1993.

THE BOARD OF DIRECTORS

Stockholm, April 26, 1993

Electrolux

The Trade Marks set out below were assigned on:

1 December 1992

by: T.J. Smith & Nephew Limited

to: Beiersdorf AG, Unnastrasse 48, W-2000 Hamburg 20, Germany.

WITHOUT THE GOODWILL OF THE BUSINESS IN THE GOODS FOR WHICH THE TRADE MARKS ARE REGISTERED/APPLIED FOR

TRADE MARK NO:	MARK:	TRADE MARK NO:	MARK:
532714 A	NIVEA	1374398	NIVEA CREME
532714 B	NIVEA	1316275	NIVEA (DEFENSIVE)
913529 A	HOUSE OF NIVEA	1304098	NIVEA FACIALS
701991 A	NIVEA	1304997	NIVEA FACIALS DEVICE
971077 A	NIVEA	1374401	NIVEA FOR MEN
307410 A	NIVEA	1374403	NIVEA LOTION
1288278	NIVEA	1238142	NIVEA SUN
1323105	NIVEA	1301823	NIVEA SUN DEVICE
1236461	NIVEA ALPINA	1231896	NIVEA VISAGE
		1466049	VISAGE BY NIVEA

TRADE MARK NO:	MARK:	GOODS SPECIFICATION:
1413688	NIVALIA	Soaps; perfumes; non medicated toilet preparations; essential oils; cosmetics; preparations for the hair; anti perspirants and deodorants; sun tanning preparations; shampoos; talcum powders; all being toilet articles for use on the person and all included in Class 3.
1043238	NIVEA	Articles of underclothing; and articles of clothing for children; but not including boots, shoes or slippers.
669365	SUNEA	Toilet preparations (non-perfumed and non-medicated) but not including shampoos.
1445411	VEA	Soaps; non medicated toilet preparations; cosmetics preparations; sun tanning preparations; perfumes; shaving creams; toilet waters; essential oils; all included in Class 3.
1472814	NIV	Non medicated cosmetics and toiletries; soaps; shampoos; preparations for the hair; shaving preparations; deodorants and anti perspirants; creams, lotions and oils, all for the care of the skin and all being non-medicated; sun tanning preparations; after sun preparations; shower gels; bath additives; all included in Class 3; none being for export to or sale in Antigua, Bahrain, Belize, British Virgin Islands, Cayman Islands, Dominica, Falkland Islands, Gibraltar, Grenada, Guyana, St. Christopher-Nevis and Anguilla, Monserrat, St. Helena, St Vincent, People's Democratic Republic of Yemen and St. Lucia.
1453399	DEV ONLY	Shampoos; preparations for the hair; soaps; shower gels; talcum powder; non medicated lotions and creams for the care of the skin; shaving preparations; skin care preparations for protection from the effects of the sun; essential oils; cotton wool, pads and wipes for toilet use; deodorants; anti perspirants; all included in Class 3.
1453406	DEV ONLY	Shampoos; preparations for the hair; soaps; shower gels; talcum powder; non medicated lotions and creams for the care of the skin; shaving preparations; skin care preparations for protection from the effects of the sun; essential oils; cotton wool, pads and wipes for toilet use; pads and wipes impregnated with cleaning preparations for toilet use; deodorants; anti perspirants; all included in Class 3.
1440938	BLUE VELVET	Toilet preparations; cosmetic preparations; face, hand and body lotions and creams; suntan preparations; soaps; all being non-medicated; all included in Class 3.
643641	EUCERIN	Medicated substances for use as an ointment base
575691	EUCERITE	Chemical substances used in the manufacture of toilet preparations.
418646 A	NIVALBO	Candles, common soap, detergents; illuminating, heating or lubricating oils; matches; and starch, blue and other preparations for laundry purposes. In so far as concerns the right to the exclusive use of the mark in relation to goods for sale in the United Kingdom.
418646 B	NIVALBO	Candles, common soap, detergents; illuminating, heating or lubricating oils; matches; and starch, blue and other preparations for laundry purposes. In so far as concerns the right to the exclusive use of the mark in relation to goods for export.
1369816	NIVALIA	Medicated soap for toilet use; medicated preparations for use in the bath and shower; medicated preparations in the form of creams, lotions, powders and ointments; all for toilet use in the prevention and treatment of skin disorders and all included in Class 5.
1506018	DEV ONLY	Toiletries; cosmetics; talcum powder; soaps; perfumes; eau de cologne; toilet water; toilet powders; creams and lotions, all for the skin; shampoos; preparations for the hair; sun tanning preparations; after sun preparations; shower gels; creams and lotions; all for moisturising, cotton wool; deodorants; anti perspirants; all included in Class 3.

PEOPLE

Consultant picks up the reins at Exco

Richard Lacy, one of the best known figures in the global money broking business, is handing over the chief executive's reigns at Exco International to Ron Sandler, a 41-year-old management consultant.

Lacy, who joined Exco in 1966 as a trainee broker and tea-maker, may be only 45 but he comes from a sector of the financial services industry where executives tend to retire before 50.

A popular figure with staff, Lacy has helped keep Exco on an even keel following the collapse of its parent, the British and Commonwealth empire, in 1988. He tried to mount a management buy-out of Exco from the B&C administrators in 1990, but this came to nothing and in July 1991 he handed over the chairmanship to Carel Mosselmans, a former chairman of Sedgwick group.

Last summer the administrators sold 60 per cent of Exco's shares to a group of institutions and the intention is to refloat the company on the stock market. Lacy has now decided to lighten his workload and move up to be deputy chairman.

Ron Sandler, Exco's new chief executive, comes from a very different background. After Cambridge and Stanford, where he got his MBA, Sandler worked first for Boston Consulting and then became managing director of the UK operations of Booz Allen & Hamilton, before running his own consultancy for a period.

At the end of 1990, he was introduced to the money-broking world after one of his clients, Citibank, sought his help in recovering money lent to Gary Klesch's Quadrex, owners of Martin Bierbaum, another money-broker. Sandler took over as chief executive and reshaped the Bierbaum group so that it could be sold to David Hagan's Trio Investments at the end of 1992.

Sandler, who takes over a business roughly twice as big as Martin Bierbaum, dismisses suggestions that he has been brought in to Exco for a similar mission. He says Exco has a good cash flow and a strong position in the three time-zones in which it operates.

Meanwhile, Exco has also announced that Richard Jackson, 45, previously president of RMJ Securities, Exco's US treasury bond inter-dealer broker, has been appointed chairman of RMJ and retires from the Exco board.

Nigel Lester quits County

Nigel Lester, who heads County NatWest Investment Management, is leaving for personal reasons, but has been asked by the board of NatWest Markets to stay on for another three months while a successor is found.

The fund management operation has been hit by a string of departures, with two other senior figures quitting just recently. David Gamble, deputy chief executive, has left to run the British Airways Pension Fund, and Bruce Pullman, who was in charge of quantitative product development, is moving to Hill Samuel Life and Investment Management.

County denies that these departures are connected or reflect changing fortunes of the operation. Total funds under management last year rose from £12.6bn to £14bn.

Lester, 40, had been at County for three years.

Chatham House plugs environment gap

The Royal Institute of International Affairs, Britain's premier foreign-policy think tank, has plugged an embarrassing gap at the top of its research staff by promoting Michael Grubb, 33, to be director of its energy and environment programme.

Grubb, who has worked at the Royal Institute's Chatham House headquarters since October 1988, replaces Gerald Pollio. The latter had been hired in July 1992 from Chemical Bank – where he had been a senior adviser on energy – to take over from the widely respected Jonathan Stern.

Under Stern the institute had made quite a name for itself in the energy and environment world. Its programme has twice as many corporate sponsors as any other in the institute and Pollio's abrupt departure after less than six months in the job led to a leadership vacuum in an important part of Chatham House's research effort.

Grubb, previously at Imperial College and the Cavendish Laboratories, Cambridge, has been the energy and environment programme's senior researcher. His appointment means that the research programme can return to normal.

The Institute is scheduled to publish next Wednesday three of the pieces of research which have been held up. These include a 200-page analysis of the Rio Earth Summit Agreements from last June; a 100-page report on environmental profiles of European business; and a report on the current stalled state of EC climate policy.

Constructive careers

- Steve Harrison has been appointed finance director of RS KENNEDY.
- Andrew Hornick, a vice-president of Stone & Webster Engineering Corporation in the US, has been appointed a director of STONE & WEBSTER ENGINEERING at the UK headquarters.
- Andrew Page has been appointed finance director of ERITH.
- John Lawson, former md of Costain International, has been appointed md of KIER INTERNATIONAL.
- Andrew Gay, who for the past four years has been seconded from Rosehaugh as chief executive of the London Regeneration Consortium, has been appointed a director of TRAFALGAR HOUSE Construction.

RANDGOLD

Gold mining companies' reports for the quarter ended 31 March 1993

Blyvooruitzicht Gold Mining Company, Limited

Registration No. 05/25743/06

ISSUED CAPITAL: R6 000 000 IN 24 000 000 ORDINARY SHARES

OPERATING RESULTS	Quarter ended 31-03-1993	31-12-1992
Underground operations		
Ore milled – t	303 000	278 000
Gold produced – kg	1 847	1 885
Yield – g/t	6.10	6.78
Revenue – R/kg	33 129	32 557
Cost – R/kg	32 146	30 725
Working profit – R/kg	983	1832
Revenue – R/t milled	201.94	220.87
Cost – R/t milled	195.95	208.44
Working profit – R/t milled	5.99	12.43
Surface operations		
Rock milled	307 000	280 000
Gold produced – kg	107	106
Yield – g/t	0.35	0.38
Revenue – R/kg	33 129	32 557
Cost – R/kg	30 413	30 589
Working profit – R/kg	2 716	1 968
Revenue – R/t milled	11.55	12.33
Cost – R/t milled	10.60	11.58
Working profit – R/t milled	0.95	0.75
FINANCIAL RESULTS (R000's)		
Revenue	64 734	64 854
Cost	62 627	61 190
Working profit	2 107	3 664
Sundry revenue – net	1 650	1 452
Profit before taxation and State's share of profit	3 757	5 116
Taxation and State's share of profit	619	864
Profit after taxation and State's share of profit	3 138	4 252
Capital expenditure – net	1 749	1 646

CAPITAL EXPENDITURE

Capital expenditure includes R1 million (previous quarter – R0.2 million) for the company's contribution for development related to the Western Deep Levels tribute.

There are commitments for capital expenditure amounting to R2.3 million. The estimated total capital expenditure for the remainder of the current financial year is R5.9 million.

For and on behalf of the board,
J. P. S. TURNER, Chairman
E. B. CROCKER, Managing director

23 April 1993

East Rand Proprietary Mines, Limited

Registration No. 01/00773/06

ISSUED CAPITAL: R163 303 163 IN 16 632 000 ORDINARY SHARES
R70 000 000 IN 350 000 "B" CLASS VARIABLE RATE CUMULATIVE REDEEMABLE PREFERENCE SHARES

OPERATING RESULTS	Quarter ended 31-03-1993	31-12-1992
Underground operations		
Ore milled – t	286 000	292 000
Gold produced – kg	1 584	1 539
Yield – g/t	5.54	5.27
Revenue – R/kg	32 910	32 188
Cost – R/kg	37 807	36 395
Working loss – R/kg	4 897	4 207
Revenue – R/t milled	182.27	169.65
Cost – R/t milled	209.39	191.82
Working loss – R/t milled	27.12	22.17
Sand treatment		
Sand treated – t	471 000	486 000
Gold produced – kg	402	428
Yield – g/t	0.85	0.88
Revenue – R/kg	32 910	32 188
Cost – R/kg	17 950	16 463
Working profit – R/t kg	14 960	15 735
Revenue – R/t treated	28.09	27.66
Cost – R/t treated	15.32	14.14
Working profit – milled	12.77	13.52
FINANCIAL RESULTS (R000's)		
Revenue	65 359	63 314
Cost	67 102	63 063
Working (loss)/profit	(1 743)	251
Sundry revenue – net	3 114	4 300
Interest: paid and deferred	15 124	11 603
Loss before taxation and State's share of profit	13 753	7 042
Taxation and State's share of profit	–	–
Loss after taxation and State's share of profit	13 753	7 042
Capital expenditure – net	1 842	5 505
BORROWINGS at end of quarter		
Gross loan facilities	516 906	512 721
Borrowings	331 317	327 858
Deferred interest	150 649	149 863
	481 966	477 721
Proceeds from sale of assets held in trust	34 206	34 860

OPERATIONS

The planned increases in productivity in terms of grade and tons have not been achieved, which coupled with the forecast increase in cost, resulted in a loss for the quarter. As a result the current mining and finance plan is being reviewed.

Interest paid and deferred increased as a result of the cessation in December 1992 of the Government interest subsidy.

A major fault is being evaluated in the Far East Vertical area, which could affect production in two year's time

PUMPING ASSISTANCE

Assistance totalling R1.9 million (previous quarter – R1.7 million) for the pumping of extraneous water was claimed from the State during the quarter.

Working costs have been reflected net of the assistance.

FINANCIAL ASSISTANCE

A response has been received from Government agreeing to

- extend by two years the repayment of the pumping loans;
- grant a R9 million loan at market related interest rates, subject to control by the Government Mining Engineer and agreement by the major loan holders to a further deferral of deferred interest;
- review during 1993 its future assistance to the company.

This response is currently under review.

Government has advised that any future assistance will be less than that currently granted.

CAPITAL EXPENDITURE

There are commitments for capital expenditure amounting to R4.0 million. The estimated total capital expenditure for the remainder of the current financial year is R22.9 million.

For and on behalf of the board,
J. P. S. TURNER, Chairman
K. F. W. EICK, Managing director

23 April 1993

Durban Roodepoort Deep, Limited

Registration No. 01.00326/06

ISSUED CAPITAL: R2 325 000 IN 2 325 000 SHARES

OPERATING RESULTS	Quarter ended 31-03-1993	31-12-1992
Underground operations		
Ore milled – t	291 000	295 000
Gold produced – kg	1 203	1 197
Yield – g/t	4.13	4.06
Revenue – R/kg	33 169	32 586
Cost – R/kg	34 888	34 424
Working loss – R/kg	1 719	1 838
Revenue – R/t milled	137.12	132.22
Cost – R/t milled	144.23	139.68
Working loss – R/t milled	(7.11)	(7.46)
Sand treatment		
Sand treated – t	292 000	255 000
Gold produced – kg	184	183
Yield – g/t	0.63	0.68
Revenue – R/kg	33 169	32 586
Cost – R/kg	20 281	19 556
Working profit – R/t kg	12 888	13 030
Revenue – R/t treated	20.90	21.53
Cost – R/t treated	12.78	12.90
Working profit – R/t treated	8.12	8.63
FINANCIAL RESULTS (R000's)		
Revenue	46 005	45 135
Cost	45 702	44 882
Working profit	303	253
Sundry revenue – net	501	1 125
Profit before taxation and State's share of profit	804	1 378
Taxation and State's share of profit	262	415
Profit after taxation and State's share of profit	542	963
Capital expenditure – net	1 082	1 377

OPERATIONS

An improvement in underground yield was offset by higher costs and lower tonnage. The operations remain extremely vulnerable to these production parameters.

PUMPING ASSISTANCE

Assistance totalling R2.3 million (previous quarter – R2.1 million) for the pumping of extraneous water was claimed from the State during the quarter. Working costs are reflected net of this assistance

CAPITAL EXPENDITURE

There are commitments for capital expenditure amounting to R53 000.

For and on behalf of the board,
J. P. S. TURNER, Chairman
P. VOS, Managing director

23 April 1993

Harmony Gold Mining Company Limited

Registration No. 05/38232/06

ISSUED CAPITAL: R13 442 325 IN 26 884 650 SHARES

OPERATING RESULTS	Quarter ended 31-03-1993	31-12-1992
Underground operations		
Ore milled – t	1 537 000	1 485 000
Gold produced – kg	5 205	5 305
Yield – g/t	3.39	3.57
Revenue – R/kg	33 120	32 535
Cost – R/kg	34 350	31 859
Working (loss)/profit – R/kg	(1 230)	676
Revenue – R/t milled	112.16	116.23
Cost – R/t milled	116.33	113.81
Working (loss)/profit – R/t milled	(4.17)	2.42
Surface operations		
Material treated – t	91 000	82 000
Gold produced – kg	196	144
Yield – g/t	2.15	1.76
Revenue – R/kg	33 120	32 535
Cost – R/kg	9 291	12 083
Working profit – R/kg	23 829	20 452
Revenue – R/t treated	71.34	57.14
Cost – R/t treated	20.01	21.22
Working profit – R/t treated	51.33	35.92
FINANCIAL RESULTS (R000's)		
Revenue	178 883	177 285
Cost	180 614	170 754
Working (loss)/profit	(1 731)	6 531
Sundry revenue – net	1 289	1 972
(Loss)/profit before taxation and State's share of profit	(442)	8 503
Taxation and State's share of profit	–	–
(Loss)/profit after taxation and State's share of profit	(442)	8 503
Capital (recoupment)/expenditure – net	(5 852)	41

OPERATIONS

The decrease in underground yield is in line with expected short term fluctuations. Exemption has been granted to allow Sunday operations until March 1994. The company remains vulnerable to fractional changes in production parameters.

CAPITAL EXPENDITURE

There are commitments for capital expenditure amounting to R920 000

Capital (recoupment)/expenditure is reflected net of the proceeds from the sale of assets which amounted to R7.6 million, compared with R1.9 million in the preceding quarter.

For and on behalf of the board,
J. P. S. TURNER, Chairman
K. F. W. EICK, Managing director

23 April 1993

Notes

CAPITAL EXPENDITURE

Future capital expenditure is being restricted to those projects considered vital to the continuance of operations.

GOLD HEDGING

The proceeds from hedging transactions completed during the quarter form and will continue to be reflected as part of revenue derived from the sale of gold.

GENERAL

- All the companies mentioned are incorporated in the Republic of South Africa.
- Issued capital values include share premium.
- All financial figures are unaudited.
- Copies of the above quarterly reports may be obtained on application to the transfer secretaries.

By order of the board
RAND MINES (MINING & SERVICES) LIMITED
Secretaries
per T. K. Savage

Johannesburg
23 April 1993

United Kingdom secretaries
Viaduct Corporate Services Limited
19 Charterhouse Street
London EC1N 6QP

United Kingdom registrars and paying agents
Barclays Registrars
Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU

Bearer reception office
Barclays Bank PLC
Stock Exchange, Services Department
168 Fenchurch Street
London EC3P 3HP

A Modernist of east and west

Colin Amery on the work of Fumihiko Maki, winner of the Pritzker Prize

He has been described as a "New Modernist"; he is famous for his loud and frequent laughter; his architecture is thought by some to be in the realm of transcendental materialism; and today he joins the small band of architects to win the Pritzker Prize. Fumihiko Maki is an architect who is often seen as bridging the cultures of east and west because he was born in Japan in 1928 and from 1953 has spent a large part of his career in the US.

This coveted prize is often described as the Nobel prize for architecture. It was the brainchild of Jay A. Pritzker, the president of the Hyatt Foundation, and it has been presented annually since 1979. It is generous – $100,000 – and the presentation ceremonies have been held at important architectural locations all over the world. The jury is international but inevitably there is a strong transatlantic flavour to the award. The list of laureates is interesting: Philip Johnson; Luis Barragan; James Stirling; Kevin Roche; I.M. Pei; Richard Meier; Hans Hollein; Gottfried Boehm; Kenzo Tange; Gordon Bunshaft with Oscar Neimeyer; Frank Gehry; Aldo Rossi; Robert Venturi; and Aalvaro Siza. Seven of the winners have been American and many more are prominent in the academic world of architecture which has a strong leaning towards the American schools.

There is, I think, a feeling that the award should mark the whole career of the architect and so it is inevitable that it should have a certain predelection for the masters of the modern movement and their immediate heirs. This year the jury states its view of Maki very clearly: "He is a modernist who has fused the best of both eastern and western cultures to create an architecture representing the age old qualities of his native country while at the same time juxtaposing contemporary construction methods and materials . . . Maki has expressed his constant concern for the 'parts' and the 'whole' describing one of his goals as achieving a dynamic equilibrium that includes sometimes conflicting masses, volumes and materials. He uses light in a masterful way making it as tangible a part of his design as are the walls and roof. In each building, he searches for a way to make transparency, translucency and opacity exist in total harmony. He uses precise detailing to give his structures rhythm and scale."

Maki's buildings are not as well known in Europe as they are on the American/Japanese architectural axis. His major works are all in Japan, although he is now designing major office buildings in Munich and has a number of commissions in the US. He is, curiously, very famous for not winning the competition for the major new Getty museum in Los Angeles: his entry was much favoured by many members of that jury. An important visual arts centre project by Maki is currently under construction, which is literally on top of the Moscone Convention Centre in the Yerba Buena Gardens in San Francisco.

As a student Maki was much influenced by the Bauhaus and after studying at the Harvard School of Design he worked for Skidmore, Owings and Merrill in New York. When he returned to Japan in 1965 he became a founding member of a group that called themselves "The Metabolists". They had a terrifying philosophy of creating the largest possible megastructures as the solution to urban architectural problems. Their ideas embraced technology and vastness of scale as natural bedfellows and sometimes the results were built in Japan. The great Harumi apartment block designed by Kunio Maekawa is one of largest concrete framed blocks of flats, and it was admired by the Metabolists for the way it fitted hundreds of little traditional Japanese houses into a Corbusian block. Kikutake's Sea City and Tange's plan for a megastructure for the whole of Tokyo Bay were the most extreme examples. Many of the Metabolist's ideas were taken up by mad groups like Archigram in England or Paolo Soleri's collectives in Arizona. Today it all has a sad period feel and Metabolism is rightly seen as a dire example of a modern architectural megalomania.

Maki clearly recovered from this moment of madness and in his famous Hillside Terrace apartments in Tokyo he demonstrates successfully the virtues of small-scale town planning. I saw recently his Tokyo Metropolitan Gymnasium, which is a giant of a building but has a strange, anthropomorphic presence that is very powerful. His Spiral Building, which is part of the Wacoal Arts Centre in Tokyo, has an elegance and an invisible mastery of technology that is masterful. I particularly enjoyed the games he plays with the language of modernism in the Tepia Science Centre in Tokyo full of refences to De Stijl and reinterpretations of the dead language of cubism.

The greatest influence on Maki is probably the late work of Eero Saarinen in the US. Both architects have the same fascination with new shapes and a certain clarity combined with innovation when it comes to structure.

Contemporary Japanese architecture is not specifically eastern or western and I feel it is wrong to think of architects like Maki as important cultural "bridges". Architecture in Japan is undoubtedly contemporary but in a more timeless way than fashionable contemporary western architecture. Maki does for architecture what Japanese manufacturing has done for cars and electronics. He makes technology and structure work for the user; and so his architecture remains cool and often elegant as a setting for modern life. His best buildings have a quality of stability that is very rare and rewarding in modern architecture.

Fujisawa Muncipal Gymnasium, Japan (1984)

Shakespeare in London

Die lustigen Weiber von Windsor

Sam Wanamaker's grand design of a faithfully reconstructed Globe Theatre close to the original site took another step forward at the weekend with a production of *Die lustigen Weiber von Windsor* by the Bremer Shakespeare Company.

The weather on Friday was not kind, but not quite cruel enough to prevent the show going through to the end. If the sun had shone, the superlatives in this piece would be even stronger. For I do not share the general British scepticism that Wanamaker is pursuing a heroic endeavour doomed not to come off. He has been at it now for over 20 years and the arguments for what he is trying to achieve become stronger with time.

In the first place, the international audience for Shakespeare is greater than the British. There are imitation Globe Theatres strewn around the world, though none with the advantage that could accrue to one set in the heart of Shakespeare's London.

The site is on the south bank of the Thames more or less midway between the Royal National Theatre on the same side of the river and the Royal Shakespeare Company's Barbican home not far across the waterway. All three sites are just about within walking distance of each other, and would be even more comfortably so if Wanamaker's further dream of a pedestrian bridge across the river were realised.

The concentration of three theatres in broadly the same area would add to the attraction, especially to foreign visitors. Both the RNT and the RSC stand to benefit from the Globe going ahead.

I also think that Shakespeare is very good in German, as the Bremer production, brought to us in association with the Goethe-Institut, showed. As we have already seen from the Schiller Theater's interpretation of *Macbeth*, the Germans take a less deferential approach to Shakespeare than some of our own directors. That does not mean that they are always right, but it does help to demonstrate the Bard's infinite variety.

Die lustigen Weiber (or in other words *The Merry Wives of Windsor*) is a perfect example. Some of the language and contemporary allusions are hard enough to understand in English. But it is a marvellous comedy designed to take liberties with, which perhaps explains why it has been the base for several operas.

The Bremer production looked as if it had added components especially for London. Characters carry their bits and pieces in Harrods bags. A search for a marriage partner is pursued by consulting the (obviously newly introduced) agony column in the Evening Standard. When things go wrong, as in Friday's conditions frequently they did, the characters address the audience in English.

There is a cast of only five – true to the Shakespeare tradition, all men. One of the revelations is that it is the arms rather than the legs that tell the men from the women. Erik Rossbander is a splendid Anne Page, almost better when just gesturing than when speaking.

The triumph is Norbert Kentrup's Falstaff. The Germans do these things on the grand scale. No padding is required – we know this because for much of the time he wears a see-through nightshirt: he is just enormous, bigger even than Helmut Kohl, and remarkably good natured to boot. Note his entrance, dripping wet, after the interval, having just been thrown in the river, which in this case is conveniently nearby. Whether you understand German becomes immaterial.

*

The Bremer company specialises in Shakespeare and has done 17 productions since it was founded 10 years ago. Possibly *The Merry Wives*, which is largely in prose, is a natural for a British audience. One wonders what it would do with *As You Like It*, the RSC's production having arrived at the Barbican from Stratford.

David Thacker's direction is notably austere, almost to the point of removing the comedy. But there is one wonderful performance by Kate Buffery as Rosalind, the heroine who dresses as a boy in pursuit of her love. At times she commands the entire, almost bare stage, and could equally well be the hero. Every Shakespeare production is different. That is why we can take more. The Globe Theatre could become a permanent fixture in a year, given another £2m.

Malcolm Rutherford

The Who's Tommy

Broadway careened into the video age last week with the opening of *The Who's Tommy*, a spectacular new musical theatre version of the classic 1969 rock opera that is as addictively watchable – and as troublingly meaningless – as MTV music television.

Former Who member Pete Townshend, who wrote the music and lyrics, and director Des McInuff, have bolstered the narrative for this version which is playing at the St James Theatre, but the story's basic outline remains the same as the original.

A young British boy sees his father shoot his mother's lover and turns catatonic when his parents force him to suppress the experience. The "deaf, dumb and blind kid" is subjected to myriad unsuccessful cures, sexually abused by his uncle and harassed by his streetkid cousin. As a teenager, Tommy becomes a "pinball wizard" and is declared a genius. He snaps out of his daze when his mother smashes the mirror into which he constantly stares. This miraculous recovery makes him a media superstar, but he eventually rejects the adulation as meaningless.

The musical represents Tommy's estrangement from his environment by having Michael Cerveris, the rich-voiced and otherworldly-looking actor who plays the full-grown Tommy, appear on stage to voice the inner experience of himself at ages four and ten, played by two younger actors, before he takes over the action midway through the first act. It is characteristic of McInuff's high octane direction that Tommy can fly. He bounds ten feet in the air to land on top of the mirrored wardrobe in which his younger self stares, and somersaults from the top of the proscenium to the middle of the stage (all supported by discreetly efficient wires).

Tommy's excellent staging is at its best in the overture, an expositional masterwork which, through Wayne Cilento's exuberant choreography, state of the art technology and stagecraft, tells a story that it would take pages of dialogue to communicate. It is filled with visual shorthand as when uniformed actors enact an air lift by jumping through an unseen hole in the stage floor as hundreds of tiny paratrooper images appear on a screen covering the front of the stage.

John Arnone's spare set consists of a series of girders which frame the proscenium, and a few set pieces representing internal location. Crucial to the production's visual effect is a multi-panelled wall of video screens filling the back wall of the stage. The screens flash images which provide settings and comment on the action, representing Tommy's experience.

Diehard Who fans will probably find it jarring to hear the beloved rock'n'roll hymns of their adolescence played by a full orchestra and sung by 27 trained voices, but the score remains as vital as ever.

Tommy bombards the audience with so much aural and visual stimulation that there is little time to wonder what it all means. It is a story that probably made much more sense in the marijuana cloud of the late 1960s. Broadly, it is concerned with the difficulty of leading an emotionally complete life in an uncompassionate, abusive society in which reality and relativity are distorted by the media. These are themes that have increased in relevance in the several decades since *Tommy* was written, but the production seems less interested in investigating these troubling ideas than in glossing over them.

Anything menacing about the story is played down; pains are taken in casting and direction to make the characters whose actions might seem reprehensible appear sympathetic. Uncle Ernie (Paul Kandell) is an alcoholic who cannot control his impulses; Tommy's parents (Jonathan Dokuchitz and Marcia Mitzman) are a good-looking middle-class couple; the murder and subsequent denial which set the story in motion are made out to be an understandable crime of passion, soon forgotten.

Clearly the forces behind this production were more excited by *Tommy's* music and its visual possibilities than its message. They chose to dress up the story in the trappings of a Broadway musical – and what trappings they are! – but, although it feels great at the time, eventually, there is nothing there.

Karen Fricker

London Sinfonietta

Viennese alternatives

Several hundred more people were needed to fill the Queen Elizabeth Hall for Saturday's "Alternative Vienna" concert, by the London Sinfonietta. *Nearly all of them would have* been entranced and even moved by the final work, H.K. Gruber's hugely disarming Cello Concerto (1989). Most would have responded to Kurt Schwertsik's mock-simple music too, as also to Gruber's edgily tonal, sweet-tempered revue movement *The Red Carpet is being Unrolled* (1968). They should have been there. There are four more concerts to come, this week and next.

Only a pair of Intermezzi from the music-theatre *Medea* of a younger Viennese composer, Christian Ofenbauer, let the side down. Dadaism without verve, *pointillisme* with no guiding line to join the dots – and unconscionably long: in that dim context, Ofenbauer's mildly *outré* instrumental effects had no point to make.

80-odd years ago, Ravel used three non-synchronised metronomes in his *L'Heure espagnole* prelude; they must come together periodically, but never quite in synch with the tender orchestral music – a metaphor for that whole little opera. Ofenbauer multiplied the trick interminably, and his protracted coda for metronomes alone, one after another being switched off, was painfully predictable.

Everything else was far better. Schwertsik's song-cycle *Shal-i-mar* after H.C. Artmann's "Persian Quatrains", sung freshly and eagerly by the baritone Peter Savidge, recalls the old romantic ache of the young Berg in a temperate new language. His octet *Twilight Music*, plainer still on the surface, makes charming play with ancient Celtic jigs, in which Nona Lidell's fiddle struck all the right notes. (Schwertsik himself was present, and unsurprisingly he turns out to be a kind of leprechaun.)

Gruber's 20-minute Cello Concerto is a *tour de force* and a kind of masterpiece. These same musicians gave its London prèmière two and a half years ago. Christopher van Kampen delivered the fiendish solo part with even more generous warmth than before, and Lothar Zagrosek drew enchanting sounds from Gruber's magical little ensemble, in which everything gleams.

The vibes, and the falling phrase (with a turn-up at the end) that haunts the score, suggest an *hommage* to Berg's *Lulu*: might that have been intentional? The phrase itself also recalls the master-tune of Szymanowski's First Violin Concerto but I suppose that *must* be an accident. If it is, it's a happy one.

David Murray

Singing competition

Kathleen Ferrier Awards

The prize money at the Kathleen Ferrier Awards has gone up again this year. No doubt there is good reason in trying to keep the competition itself in first place ahead of its rivals – but the result is not necessarily as intended.

A five-figure first prize does not just bring in high-quality students. It is enough to lure young professional singers, who could not earn as much in a couple of evenings otherwise. The result was a selection of finalists more experienced than in previous years, who fitted in the competition before flying off to engagements at San Francisco or La Scala, Milan (I jest not – the biographies of the eight touched that level).

The main culprit is the Cardiff Singer of the World competition, which has pitched its sights at the international level, luring away the public's attention and a lot of the available finance. Other competitions have either closed down or been forced to raise their game. A gap has opened up, leaving the young, unfinished singer of 23 or 24 who really needs the money without much chance of winning a major award.

Against that background the jury of this year's Ferrier Awards (chaired by Janet Baker) did a good job. The first prize went to Ruby Philogene, who was a finalist last year, but re-appeared at the Wigmore Hall on Friday much advanced. Her richly-coloured mezzo was better focused; her artistry was more mature, filling out the long lines of her aria from Massenet's *Werther* with skill and heartfelt emotion. She was the right choice – by a whisker.

Second prize was taken by the mezzo Sara Fulgoni, already noted as a major talent at the Royal Northern College of Music. The size and range of her voice are remarkable. Had she sung her two songs at the final with a bit more variety of colour, she might have won. Ruth Peel, a contralto generous in tone, less forthcoming with words, came third. That left no prize for the baritone Peter Snipp, who had taken command of the stage with unabashed professionalism.

In contrast, the soprano Eldrydd Cynan-Jones and tenor Toby Spence gave notice of genuine promise, deserving of recognition. There was no accompanists' prize this year (has it been dropped?) but with one or two exceptions the standard in that department was poor, as the jury rightly noted.

Richard Fairman

INTERNATIONAL ARTS GUIDE

BERLIN

OPERA/DANCE

Deutsche Oper The main event this week is the first night on Saturday of Götz Friedrich's new production of Die Meistersinger von Nürnberg , conducted by Rafael Frühbeck de Burgos and designed by Peter Sykora, with Wolfgang Brendel as Sachs, Jan-Hendrik Rootering as Pogner, Elke Wilm Schulte as Beckmesser, Gösta Winbergh as Walther and Eva Johansson as Eva (repeated May 5, 9, 16, 20). Tonight: Homage to Sinatra with Barry McDaniel. Tomorrow: Ferruccio Furlanetto song recital. Thurs: Rigoletto. Fri: Valery Panov's production of Prokofiev's ballet Cinderella. Sun: Madama Butterfly with Helen Field (341 0249)

Staatsoper unter den Linden Tonight: Margaret Price song recital. Tomorrow: Die Zauberflöte . Wed and next Mon: Der fliegende Holländer. Thurs: La traviata. Fri: Swan Lake. Sat: Tosca (200 4762)

CONCERTS

Philharmonie Tonight: Glen Miller Orchestra. Tonight (Kammermusiksaal): Hagen Quartet plays Haydn, Ligeti and Schumann. Wed: Brandis Quartet plays Mozart, Schubert and Shostakovich. Thurs: Radu Lupu piano recital (2548 8232)

Schauspielhaus Tomorrow: Ashiya Symphony Orchestra plays works by Liszt, Akutagawa and Tchaikovsky. Fri: Rafael Frühbeck de Burgos conducts Berlin Radio Orchestra and Chorus in Mahler's Third Symphony (2090 2156)

THEATRE

- Theatertreffen, Berlin's annual German-language theatre festival, opens on Sat and runs till May 20. The line-up of 12 plays includes two Shakespeare productions directed by Leander Haussmann: A Midsummer Night's Dream from the Weimar Nationaltheater, and Romeo and Juliet from the Staatsschauspiel in Munich. Schauspiel Bonn will be represented by Büchner's Woyzeck and Schauspiel Bochum by Sophocles' Oedipus. There will also be revivals of Thomas Langhoff's acclaimed staging of Hofmannsthal's The Tower and the controversial Berliner Ensemble production of Wessis in Weimar, Ralf Hochhuth's play about the tensions of German unification (882 6563)
- A new production of Ionesco's tragic farce The Chairs opens on Wed at Maxim Gorki Theater, where the repertory also includes Peter Shaffer's Amadeus, Caryl Churchill's Top Girls and Edward Bond's Summer (208 2783)
- Sag mir wo die Blumen sind, a new musical based on the life of Marlene Dietrich, runs daily except Mon at Theater am Kurfürstendamm (300 6000)

NEW YORK

THEATRE

- Angels in America: Tony Kushner's drama is about a gay couple, a Mormon couple and a McCarthyite lawyer, as they contend with sexual, political and religious issues. Directed by George Wolfe. In previews, opens on Thurs (Walter Kerr Theatre, 219 West 48th St, 239 6200)
- The Sisters Rosensweig: Wendy Wasserstein's latest play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore Theatre, 243 West 47th St, 239 6200)
- Oleanna: David Mamet's brief, powerful drama about sexual harassment, political correctness and other issues which touch a nerve with ideologues (Orpheum Theatre, 126 Second Avenue between 7th and 8th Streets, 307 4100)
- Jelly's Last Jam: Gregory Hines is the consummate leading man in a musical based on the life and times of Jelly Roll Morton, self-proclaimed inventor of jazz (Virginia Theater, 245 West 52nd St, 239 6200)
- Putting It Together: American premiere of a collection of Stephen Sondheim's music, starring Julie Andrews. Till May 23 (City Center, 131 West 55th St, 581 1212)
- Born to Rumba: a musical about sex, sin, sacrifice and self-deception, set in a pre-Castro Havana night club (Duo Theater, 62 East 4th St between Second Avenue and Bowery, 598 4320)

OPERA/DANCE

State Theater New York City Ballet's 1991 production of Sleeping Beauty can be seen daily from tomorrow till Sun, with extra matinee performances on Sat and Sun. An eight-week Balanchine celebration begins with a gala performance next Tues (870 5570)

City Center Trisha Brown Company opens a two-week season tomorrow (581 1212)

Metropolitan Opera The final week of the season is given over to a Ring cycle: Das Rheingold tonight, Die Walküre tomorrow, Siegfried on Thurs and Götterdämmerung on Sat. There are also performances of La traviata on Wed and Sat afternoon. American Ballet Theatre opens its annual season next Mon (362 6000)

CONCERTS

Carnegie Hall Tonight: Dmitri Hvorostovsky song recital. Fri: Seiji Ozawa conducts Boston Symphony Orchestra in Bernstein's Second Symphony and Beethoven's Seventh (247 7800)

Avery Fisher Hall Tomorrow: Leonard Slatkin conducts New York Philharmonic Orchestra in works by Haydn, Copland, Ravel and Ramey. Wed: Slatkin conducts Julliard Orchestra in works by Vaughan Williams, Corigliano and Stravinsky. Thurs, Fri afternoon: Slatkin conducts NYPO in Elgar, Bartok and Street, with violin soloist Pinchas Zukerman. Fri evening: Jean-Philippe Collard is piano soloist with American Symphony Orchestra (875 5030)

Alice Tully Hall Wed and Fri: André Previn takes part in chamber music concerts featuring works by Brahms, Beethoven and others (721 6500)

PARIS

OPERA/DANCE

Châtelet Tonight, Wed, Fri: Charles Dutoit conducts Stéphane Braunschweig's new production of Bartok's Bluebeard, with Csaba Airizer and Eva Marton (4028 2840)

Opéra Bastille Tonight: final performance of Robert Carsen's production of Manon Lescaut, with Miriam Gauci and Vasile Moldoveanu. Tomorrow: Bob Wilson's production of Die Zauberflöte, with David Rendall and Cynthia Haymon. May 5: revival of Andrey Konchalovsky's production of Queen of Spades (4473 1300)

Château de Versailles Tomorrow: Sigiswald Kuijken conducts Chorus and Orchestra of La Chapelle Royale in a concert performance of Rameau's Les Surprises de l'Amour (3902 3000)

Palais Garnier Wed: first night of Opéra Ballet's Balanchine tribute, marking the tenth anniversary of his death. The programme consists of Concerto Barocco (Bach, 1951), Tzigane (Ravel, 1975), The Prodigal Son (Prokofiev, 1929) and The Four Temperaments (Hindemith, 1948). Daily except Sat and Sun till May 5. A programme of ballets by Roland Petit opens for nine performances on May 12 (4742 5371)

Bercy Vittorio Rossi's stadium production of Aida opens next Tues and runs daily except Mon till May 19, with multiple casts including Wilhelmina Fernandez, Galina Kalinina, Carlo Cossutta and Alain Fondary (4002 6060)

CONCERTS

Salle Pleyel Tonight: Marek Janowski conducts Orchestra and Chorus of French Radio in first Paris performance of Strauss' Die Aegyptische Helena, with Anna Tomowa-Sintow, Inga Nielsen, Anne Gjevang and Siegmund Nimsgern. Wed and Thurs: James Conlon conducts Orchestre de Paris in works by Britten, Shostakovich, Ibert and Roussel, with piano soloist Elena Bashkirova. (4563 0796)

Châtelet Auditorium Tonight: Louis Langrée conducts Ensemble Orchestral de Paris in works by Roussel, Berio, Weill and Britten. Wed and Fri at 12.45: Britten Quartet plays works by Ravel, Beethoven, Schubert and Villa-Lobos. Wed evening: recital for cello and piano by Lynn Harrell and Cristina Ortiz (4028 2840). Sun morning at Théâtre des Champs-Elysées : Matt Haimovitz cello recital (4720 3637)

JAZZ/CABARET

New York singer J.J.Victoria is in residence at Lionel Hampton Jazz Club till May 5. Daily except Sun, music from 22.30 (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

THEATRE

- L'Homme qui: Peter Brook's latest theatre piece, based on Oliver Sacks' book The man who thought his wife was a hat. Daily except Sun and Mon (Bouffes du Nord 4607 3450)
- John Gabriel Borkman: Luc Bondy's staging of the Ibsen play. Daily except Mon till May 12 (Théâtre national de l'Odéon 4441 3636)
- Le Faiseur: Jean-Paul Roussillon's new Balzac staging (Comédie Française 4015 0015)
- A 24-hour recorded guide to Paris events is on 4720 8898

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Sky News: Financial Times Reports 0530

Saturday Super Channel: Financial Times Reports 0930

Sky News: West of Moscow 1130; 2230

Sunday Super Channel: West of Moscow 1830

Super Channel: Financial Times Reports 1900

Sky News: West of Moscow 0230; 0530

Sky News: Financial Times Reports 1330; 2030

Arts Guide

Monday: Berlin, New York and Paris.

Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.

Wednesday: France, Germany, Scandanavia.

Thursday: Italy, Spain, Athens, London, Prague.

Friday: Exhibitions Guide.

Germany in need of new policy mix

PERSONAL VIEW

Western Germany is in recession. Real gross domestic product is now expected to fall in 1993 by between 1.5 and 2 percentage points; unemployment will rise; and a turning point may be reached only in the first half of 1994, provided expectations of a sustained economic recovery in the US and a rapid expansion of world trade materialise. The western German economy, to be sure, will not play the role of a locomotive for the rest of European Community in the near future. The hope is that the recession does not become stronger than is now foreseen, otherwise eastern Germany would be adversely affected.

To many, it appears that a quick recovery is impeded by the Bundesbank's high interest rates which have strangled the other EC economies and thus have hampered German exports. But the Bundesbank is not the problem; the real difficulties lie elsewhere.

The biggest problem is fiscal policy. The fiscal deficit has been rising significantly since unification. In 1992, it amounted to 4 per cent of GDP; if off-budget liabilities are included, the deficit was 7 per cent. Public financial transfers to eastern Germany (about DM150bn (£60.9bn) in 1992, equal to 5.5 per cent of west German GDP) will remain high for years to come. Such financial imbalances are not sustainable over the medium term. Hence, strict budget consolidation, with a cumulative four-year cut to bring the structural deficit down to 2 per cent of GDP, is necessary.

Whether or not the "solidarity pact" which political leaders agreed in mid-March puts fiscal policy back on a sound financial path remains to be seen. On the positive side, it is important that decisions on financial transfers to the east and the burden-sharing in the west have finally been taken. However, the chosen approach gives cause for concern.

Priority is being given to sharp tax increases rather than substantial spending cuts. Direct taxes, rather than the more investment-neutral indirect taxes, will be raised (with effect in 1995). The projected saving measures exclude social payments, whereas curbs on financial aids (which account for two-thirds of total subsidies) will remain relatively small.

Moreover, public indebtedness is going to increase further, as the borrowing limits of the Treuhand and the German Bank for Reconstruction will be raised. All this falls short of a sensible medium-term consolidation programme. The government expects the deficit to come down substantially, but this is based on quite optimistic assumptions on nominal GDP expansion in the next four years and on the ability of the public sector to limit the growth of expenditures.

With regard to wage policy, things look relatively positive in western Germany. Recent wage settlements have been moderate and in view of high unemployment rates wage moderation is likely to persist

The Bundesbank is not the problem; the real difficulties lie elsewhere

for a while. In eastern Germany, however, there is cause for concern. Trade unions insist on a rapid convergence of wages with western levels in spite of the great productivity gap still prevailing. A damaging strike in the metal and electrical sectors is possible next month. Fresh investment may therefore be deterred.

Monetary policy has been gradually eased since last autumn, with the latest cuts in Bundesbank interest rates made last Thursday. A further sharp reduction in key rates is not recommended. Inflation is still high and after the excessive rise last year, annual growth in the money supply (M3) has not come down convincingly to the target range announced for 1993 (4.5 to 6.5 per cent). If the Bundesbank were to give way to pressures at home and abroad and embark on an outright expansionary policy, it would put the credibility of its anti-inflationary policy at risk.

It should also be recalled that expansionary monetary policies have not proved to be particularly successful in the past in overcoming recessions, above all when deep structural adjustments are necessary. A continued cautious easing of monetary policy would lead to a full normalisation of the yield curve later this year.

Germany needs a two-track strategy: consolidation on the budget side and a medium-term supply-side policy to enable potential output to grow at a reasonable rate. This includes trade liberalisation, deregulation and privatisation, as well as reform of the tax system, to make it more conducive to private investment in the context of high international capital mobility. Germany also needs to overhaul its social welfare system, to reduce costs and strengthen economic incentives.

There is little, if any, co-ordination between these policies and short-term macroeconomic policies. Some measures are under way, but the government's preferred piecemeal actions are resisted by well-organised interest groups. The recent decision to protect, via subsidisation, so-called "core industries" in eastern Germany is counter-productive and will be ineffectual.

The planned tax reductions, both on corporate profits and on earnings from doing business, will be combined with a narrowing of depreciation allowances. Such tax reform, if enacted, would therefore have only a minor impact on investment. Moreover, income tax increases agreed as part of the solidarity pact will transform Germany into a truly high-taxation country.

On trade policy, Germany still has to persuade her EC partners and the European Commission that the successful completion of the Uruguay Round is critical, especially in the short run, to restore business confidence about future economic developments.

Juergen B Donges

The author is professor of economics at Cologne University and a member of Bonn's council of independent economic advisers

Deborah Hargreaves examines the case for a radical restructuring of British Gas

Monopoly under the microscope

At the City of London headquarters of the Monopolies and Mergers Commission, a handful of experts is hard at work disentangling one of the most complicated issues in UK competition policy – what to do about British Gas.

The deliberations are being followed closely – not only by the monopoly gas supplier, but by potential rivals in the industry and the rest of Britain's privatised utilities. The MMC report is expected to set a marker for the development of competition in industries privatised during the 1980s and will determine in which areas, and to what extent, the gas market is opened to new entrants.

The commission's discussions will focus on an ambitious blueprint for a fully competitive gas market. The plan, drawn up by Sir James McKinnon, director-general of the regulatory body Ofgas, calls for the division of the company into 12 regional businesses, a separate gas-purchasing arm and a pipelines company. So complex are the issues that the commission has postponed its report, due at the end of this month, until the end of July.

Sir James's ideas are radical. His plan is to break up the monopoly structure forced on the industry six years ago when British Gas was privatised as a single entity. The company's dominant position in the market has obstructed the development of competition, Sir James believes. Rivals now supply about 30 per cent of industrial sales, but Sir James would like to see competition extended beyond the industrial sector.

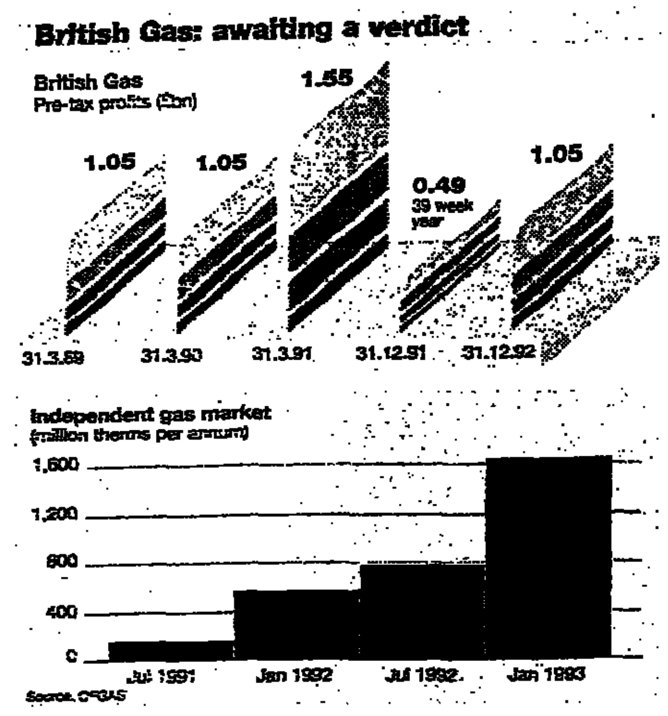
Ofgas also wants competitors to move into the household supply market – where British Gas holds a monopoly. This is the only way to offer consumers real choice and lower prices, Sir James claims.

Ranged against him are British Gas, many of the North Sea oil operators and the Gas Consumers Council, which represents household customers. British Gas says prices will rise in a more open market. Large industrial users fear they will lose their access to cheap supplies of gas – which are currently subsidised by household customers – if more competition is introduced.

British Gas desperately wants to retain its monopoly over household supply. It has proposed decentralising its own operations in an effort to fend off calls for a wholesale break-up. It has suggested to the commission that it split its business into five wholly owned subsidiaries covering sales of gas to the industrial market, household supply, pipelines, sales of appliances, and installation and servicing. The company has also offered to disband its central purchasing arm as a way of diminishing its buying power in the North Sea.

British Gas receives some support from North Sea oil companies. Producers such as Shell point to the need for long-term supply contracts to assist the development of gas fields – these may not be available without British Gas's strong buying power.

Shell argues that the current industry structure has served customers well in many respects. Consumer groups agree with this prognosis. The Gas Consumers' Council is sceptical about the benefits accruing to domestic consumers in a liberalised market.



The commission's first challenge is to weigh these arguments and decide whether British Gas's monopolistic power has worked against consumers' interests. If it concludes that the household supply market should be opened up to rivals, it must then decide how this could be done and, if necessary, suggest relevant structural changes. But the commission can only recommend action – the government does not have to follow its advice.

The government has indicated that it would look favourably on a gradual opening of the gas market. Last year, Mr Tim Eggar, energy minister, said he would consider the introduction of competition in household supply in May this year. But the government's plans were thrown into disarray by the monopolies reference last August.

Rival gas shippers are nonetheless convinced that pressures for liberalising the market will be difficult to resist. British Gas has about 25 main competitors in the industrial market and almost all of them have told the commission they are keen to become involved in sales to households.

Though they differ over how quickly and in what way they should be given access to those customers, the competitors to British Gas do agree that they could offer customers cost savings. Alliance Gas, a joint venture between British Petroleum and Norway's Statoil and Norsk Hydro, reckons that households could save an average £50 a year or 10 per cent of their gas bills if it were allowed to supply them. The company is basing its claims on evidence drawn from sales to the industrial sector, where it currently supplies 6,000 sites.

British Gas buys its gas at about 20p a therm and sells it to households at close to 50p a therm, a substantial profit margin which competitors believe they could erode. But the mark-up is not pure profit, counters British Gas. Transportation costs must be added to the cost of the gas, and these are higher for some customers than others. For this reason, the company says 12m of its 18m customers could end up paying more in a liberalised market and only 6m would make a saving.

British Gas believes there would be a political outcry if customers in those parts of the country which are the greatest distance from the gas terminals end up paying substantially higher costs than others.

In addition, the company has argued that the flow of gas through its pipelines would be difficult to balance – ensuring that customers get enough gas on cold days – with no single company to monitor supply and demand.

This view is echoed by some industry experts. "If anything goes wrong in the system, there will be all sorts of recriminations, with shippers blaming the pipeline company and vice versa. In the meantime, the consumer is going without gas," said Mr Jonathan Stern, an industry consultant with the Gas Strategies group.

Competitors say these drawbacks are not insurmountable, saying they could provide financial bonds with the regulator so that the pipeline company could draw on the money if rivals fail to meet their supply obligations. "No one worries about the security of supply of, say, milk," said one rival.

The Gas Consumers' Council, however, says it is not convinced that competition would bring more benefits to consumers than are currently available from the heavily regulated monopoly. Mr James Cooper, chairman of the council, is also doubtful about whether effective competition is possible in the household market. He believes it is not practical to have several companies competing for customers in a small area because of the huge infrastructure required to service those customers.

Large industrial users are similarly sceptical about the benefits of increased competition. They fear losing supplies of cheap gas in the so-called interruptible market. Interruptible users pay very low prices for their gas in return for being cut off during periods of peak demand – on the coldest days in winter – when their supply is redirected to households. "We're getting ready to fight very, very hard to preserve the interruptible market," said Mr Anthony Mitchell-Harris, who represents large gas users in the Major Energy Users Council, a lobby group.

If competitors were to supply the interruptible customers – and so far none do because prices are too low – those large users fear prices would rise. The rival suppliers would not have British Gas's economies of scale or the same need to balance demand in the domestic market. In addition, if competitors were promising savings to domestic customers, they would not be able to subsidise industrial users.

British Gas is trying to allay such fears by suggesting the creation of a market in peak gas sales to cover supply in this sector of the market. Initially, it says, competing suppliers could bid for industrial contracts, with the sale going to the lowest bidder. Eventually, a so-called spot market could evolve, where gas is bought and sold like any other commodity. The company is planning to consult its rivals on how this market might work.

British Gas will be hoping that such proposals will pre-empt the imposition of more radical reform. It might draw some comfort from the government's concern to avoid another damaging energy dispute after its controversial coal decisions. Mr Michael Heseltine, the trade and industry secretary, will be aware that he is bound to make enemies whichever way he decides. He is likely to hope that the experts remain embroiled in the complexities of the sector for as long as possible.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Survival jeopardised by steel price rise

From Mr T F Barnes

Sir, What business in today's marketplace can increase its prices by more than 40 per cent? Answer: the European steel industry.

We are a fairly typical engineering company supplying fabricated and machined products to a variety of markets from defence to leisure. We have survived the recession to date by prudent management and a shift in emphasis to exports and new products. We employ 50 people. All this could be in vain now that the steel industry is implementing a 40 per cent-plus increase in its prices.

Our markets are extremely fragile – and our best customers refuse to accept any price increases. So we are faced with a huge, totally unrealistic increase which, because of our purchasing power (5 tonnes a month), we can do little to resist and our large customers refuse to accept.

We have made inquiries in countries outside the EC to see if we can purchase two or three months' supply from producers there. Consistently we are told that they cannot supply or must be careful on price because EC mills may cause problems for them. So much for a free market.

This increase – reasons for which include huge demand from China and capacity reduction – is nothing more than the result of deliberations of a price cartel taking no notice of the realities of the European market. Almost certainly prices paid by China will be extremely low and we are being asked to support the steel mill margins. Apart from being inflationary it hits the medium and small-sized user, the bedrock of UK manufacturing industry.

Are we to support China at the expense of the UK?

T F Barnes,
managing director,
B Dixon-Bate,
Unit 45, 1st Avenue,
Deeside Industrial Park,
Deeside, Clwyd CH5 2LG

Future of the Travelcard

From Mr Maxwell Blake.

Sir, Why is it that the deregulation of London buses should be paid for by their riders ("Travelcard doomed", April 23)? I use my Travelcard to go by bus where I cannot easily travel by the Underground. Is the Travelcard underpriced? Its "critics" appear to forget that London Transport gets my annual fare upfront; would that all customers were so willing.

Can it really be beyond the wit of 40 or so bus operators (about one bus load, incidentally) to draw up a revenue-sharing agreement? It would be more equitable to use the smart-card technology to record individual journeys at the point of sale – that is, the bus – and use that data to apportion the pooled revenue. That at least might encourage some competition between the operators.

Maxwell Blake,
McCowan Blake,
119 Bishopsgate,
London EC2M 3TE

No remuneration hike at Premier

From Mr C Jamieson.

Sir, Lucy Kellaway's article, "Facts show fat cats are fatter" (April 20) and the letter from Mr Donald Butcher, of the UK Shareholders' Association (April 23), both suffer from a failure to check facts, and from the tendency for an untruth, once written, to be accepted as fact.

The supposed 50 per cent hike in management remuneration in Premier's 1992 accounts stems from an elementary failure to notice that the comparative period is one of only nine months. When the comparative figure is grossed up to the 12-month period, the increase is 12 per cent. However, this is not due to directors being awarded 12 per cent increases, but that an additional executive director joined Premier in June 1992 and in the previous year another new executive director did not join until September 1991.

The real increase for executive directors for that year and for 1993 was basically in line with inflation – that is, no increase. In 1993, following retirement of two senior executive directors in June and December, total management remuneration is likely to be down by at least 30 per cent.

I suggest that in future both your newspaper and the representative from UK Shareholders' Association have the courtesy to check the facts. The old adage about not being able to believe what you read in the newspapers seems true in this situation, but unfortunately in our case mud tends to stick.

C Jamieson,
chief executive,
Premier Consolidated Oilfields,
23 Lower Belgrave Street,
London SW1W 0NR

Bar on age discrimination unlikely in EC

From Mr Bryan Cassidy MEP.

Sir, Joe Rogaly's suggestion that we should be thinking of raising rather than lowering the pension age ("Age of the old buffer", April 20) has an attractive logic given the recent Carnegie inquiry projections of 31 per cent of the UK population in the age group 50-74 by 2021, compared with 24 per cent now. But what are we going to do to enable older people to work more years if they wish to? (Mr Rogaly quotes statistics which show a declining percentage of men aged over 55 as being "economically active".)

One way would be for the EC to follow the US and bar age discrimination in employment.

I regret that it is unlikely to do so, however, since the Commission, the Council of Ministers and the European parliament all practice age discrimination in recruitment with the full approbation of EC staff unions!

Bryan Cassidy,
European Parliament,
97-113 Rue Belliard,
1040 Brussels

Longstanding plea for European technological strategy

From Prof Ian Mackintosh.

Sir, Professor Hollerman (Letters, April 22) suggests that, in my plea (Letters, April 15) for a much-increased emphasis on technology in industrial and economic planning, I "could make a stronger case". But I already have.

In my 1986 book Sunrise Europe (now regrettably out of print). I believe I gave a convincing description of how the European electronics industry got into its mess (now even messier) vis-à-vis the Americans and Japanese. And this was followed by an even more convincing prescription of how to get out of it through the increased demand for information technology products and services which would have been created by my proposed pan-European fibre-optic network, Eurogrid.

But, as usual, the cry of the technologists was of little avail. Apart from the laboured efforts of the European Commission in setting up the Race (Research on Advanced Communications in Europe) project, there is little sign of my mooted broadband connections to every European home, office, hospital and school etc. Meanwhile, President Clinton is energetically doing just that by actively supporting the US infrastructure investment in "information highways" – or the "USA-grid".

The point, then, is that whereas the views of technologists are important in the formulation of corporate and governmental policies in America, Japan and elsewhere in Asia, this is certainly not the case in the UK or many other European countries. Until we can match their understanding of the salience of technical matters, both in production and use of technological goodies, we shall continue to suffer substantially lower economic growth rates than our transoceanic competitors.

Ian Mackintosh
European Foundation for Technical Innovation,
University College, London

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FINANCIAL TIMES
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Monday April 26 1993

The bombing of the City

LONDONERS picking their way back to work today through a litter of broken glass should spare a moment's thought for the cities of Northern Ireland, devastated over the past quarter-century on a scale that defies comparison with Saturday's damage in the City.

If the Northern Ireland policy supported by all Britain's political parties is correct, it would be quite wrong to waver in it now merely because the buildings being damaged are in Bishopsgate not Belfast.

In discovering the vulnerability of London's financial district to large, primitive bombs, the IRA has put its hands on a fresh, powerful weapon. That does not of itself change the nature of the political problem – it merely adds to its urgency.

These are the issues of principle. But many people, in the City and elsewhere, will find one practical issue more pressing. How great a threat do two huge explosions in a year pose to London's position as a financial centre?

The initial responses of some of the companies most affected by the two giant bomb attacks are reported elsewhere in this issue. On this sort of occasion, however, second thoughts are the ones that count. They will be influenced by a number of factors. First will be the adequacy of the insurance arrangements, underpinned by government guarantee, which were set in place after last year's explosion.

The scheme is in its infancy; its enabling legislation has yet to pass through parliament. The government would be right to avoid legalism in its approach to this issue. The important thing is to make sure that the scheme works, and that the state provides the backing necessary for it to do so.

Escape route

A second factor is the way in which changing modern business practices reduce the impact of this sort of disaster. These days, a large business has its files, its intellectual capital, its soul, stored in its computers.

That sounds like an added risk, but in fact it is an escape-route. Providing the computer operators have been taking routine security measures – backing up the files daily, storing copies safely off-site, and so on – the entire system can be rapidly re-created elsewhere.

The third factor is less encouraging. The risk is that the bombing will be one more reason to view London as different, risky, a place at the margin, subject to its own unpredictable influences.

There are enough of such forces already at work: the EMS debacle, the Taurus collapse, the City's well-known transport problems, the local authority swaps fiasco – even the perennial nuisance of passing through immigration controls at Heathrow.

City's advantages

Until now, these have been far outweighed by London's countervailing advantages: an open, innovative atmosphere, skilled labour and support services, welcoming authorities, and a cosmopolitan financial tradition. Two bombs are unlikely to tip the balance. But it is the future risks that matter; and even with extra security precautions, they will clearly be much greater than they seemed 13 months ago.

Britain's big financial houses are tied to London; so are the handful of leading international ones. It is the smaller, more footloose institutions – the ones that give the London markets their unique breadth and depth – which can choose to vote with their feet. Ensuring that their decisions come down in London's favour will require tighter security precautions, keener intelligence and better use of police resources. But as important will be a renewed determination to focus on the other aspects of the City's competitiveness.

The speed with which the City has coped with the two big disasters of the past year is a tribute to the professionalism of its support staff and the flexibility and commitment of its workforce. Those are among the reasons why London has remained the leading international financial centre. Its chances of retaining that title were high before Saturday's bomb. They remain high now – as long as the government, the City authorities and the leading financial houses display a commitment not just to London's physical security, but also to its future competitive advantage.

Mr Heseltine's magic lantern

MR MICHAEL Heseltine is enjoying himself again. After hard labour in the House of Commons over the future of British Coal, the trade and industry secretary is again doing what he does best – reorganising a Whitehall department and selling a line in policy.

The central themes of the slide show he premiered to the Financial Times and a group of industry leaders last week are incontestable. British industry is inadequately competitive and the rambling government department which oversees it is unfocused and ineffective.

Mr Heseltine has a good track record in Whitehall management. At both the Department of Environment and the Ministry of Defence, he improved motivation and efficiency. At the Department of Trade and Industry, he will use similar techniques, overhauling structures and accountancy procedures and drawing in private-sector managers to sharpen up performance. "Partnership" has long been a Heseltine watchword and it is still very much in vogue.

A key aim is to improve communication within the department and between officials and industry, so that the DTI knows what it is talking about. There will once more be teams of officials to analyse the competitiveness of 15 sectors of British industry; data base will speak unto data base in government research establishments; a "domesday book" of regulations will be heavily edited; there will be "one-stop shops" around the country to facilitate the transmission of advice and information to business. Mr Heseltine will proclaim these plans with a promoter's flair. Hezza is backing British industry, in export markets and in the cabinet.

Good deeds

It will be some time before the effectiveness of these changes can be judged, but they will certainly be welcome to British industrialists. The question is whether Mr Heseltine, in his 1990s manifestation, will stop short of the market-distorting and economically damaging forms of dirigisme with which he flirted in the 1980s.

To judge by deeds rather than words, his record in the last year has been good. He has fought for the right policy on coal, at some personal political risk. He has resisted the temptation for quick, taxpayer-funded fixes at Leyland Daf.

More doubtfully, his strengthened financial support for exporters could result in subsidies for poor business deals, even if the measures are not lavish by international standards. Government selection of "national champions", even in the limited context of bids for export contracts, is a tricky game.

Competition policy

But the biggest question marks over Mr Heseltine's tenure at the DTI concern competition policy and Europe.

On the former, he insists that there is no change in the Tebbit-Lilley doctrine, to confine competition policy judgments to questions of competition. But doubts have been raised in practice by his decision to overrule the Office of Fair Trading in a couple of recent cases. Since Mr Heseltine shares the view of his predecessors that no public explanation should be given for these decisions, there is a danger that policy will become opaque and arbitrary. With crucial judgments ahead on British Gas and other privatised utilities, this is worrying.

More important still, if Mr Heseltine fosters an illiberal culture of shady ministerial meddling in his own department, it will be reflected damagingly in the councils of the European Community, where DTI ministers play a large role, on everything from energy to trade.

Mr Heseltine's instincts will certainly be to join the political fray on questions such as the future of Airbus and its potential collaboration with Boeing on a super-jumbo project. He looks back with pride at his role in creating the European Space Agency.

On some such matters, ministers have a necessary role, but there is a risk that Britain is lured towards the unrewarding and outdated game of picking industrial and technological Euro-winners. More broadly, Britain could blunt its influence as an economic liberaliser, in matters of trade, industry and energy. If he can avoid these pitfalls, Mr Heseltine will show that he is the right man in the right job at the right time.

Michael Prowse on whether east Asia's economic success can be repeated

Miracles beyond the free market

The biggest challenge for economists today is understanding the extraordinary success of east Asia. The region has nearly quadrupled per capita incomes in the past quarter of a century – a record unparalleled in economic history. On present trends it may begin to overtake much of the industrialised west early in the 21st century.

If its startling success could be replicated elsewhere, billions of people in developing and formerly communist countries could look forward to improved living standards. And the hope, eventually, of eliminating the scourge of grinding poverty would seem less quixotic.

Yet the region is as puzzling as three-dimensional chess. It has done far better than conventional theories predict, even allowing for such quantifiable pluses as macroeconomic stability, high rates of investment and a focus on exports. There is just no generally agreed explanation for its main distinguishing feature – supercharged rates of productivity growth (see chart).

The puzzle is deepened by the region's lack of homogeneity. The high-fliers are far from being carbon copies. At one extreme, Hong Kong has pursued a broadly free market approach; at the other, South Korea has intervened in just about every way conceivable. And the magic formula for growth has entirely eluded some countries in the region, such as the Philippines.

At the World Bank in Washington, an exhaustive analysis of the "Asia miracle" is nearing completion. Bank staff are distilling lessons from Japan, the four "tigers" – South Korea, Taiwan, Hong Kong and Singapore – and the so-called "cubs" – Malaysia, Thailand and Indonesia. They have also taken a look at the recent explosive growth in parts of southern China.

The study was undertaken partly at the instigation of Japan, the bank's second-largest shareholder, which has long wanted to play a bigger role in policy design. Japan has been critical of aspects of conventional World Bank/International Monetary Fund prescriptions and, justifiably, believes more attention should be paid to its own outstandingly successful development strategies – which formed a model for much of east Asia.

In 1991, Japan's Overseas Economic Co-operation Fund told the bank it was putting too much emphasis on deregulation and privatisation and made a case for selective import protection in developing countries and for the use of subsidised credits as a tool in industrial policy.

Mr John Page, a senior member of the bank's Asia miracle team, says the Japanese criticism struck a chord because the results of market-oriented reforms had often proved disappointing in developing economies. By cutting budget deficits, eliminating market distortions and shrinking government, client countries had stabilised their economies. But too often they had not achieved a virtuous cycle of rapid growth; they still lay "at the bottom of the league table relative to east Asia". The question became: "What now?"

The bank's benchmark for judging Asian policies is not an extreme free market philosophy, which would leave the public sector with responsibility for just about everything bar national defence. It is rather the less controversial "market friendly" strategy set out at length in the bank's 1991 World Development Report.

This clearly delineates the role of markets and the state. Development would be fastest, it claimed, when government concentrated on two jobs: maintaining macroeconomic stability through conservative fiscal and monetary policies; and investing in people through public education, training and healthcare programmes.

Beyond this, developing countries should rely on market forces. They should create as competitive as possible a regime in industry, commerce and the financial sector. And they should eliminate all barriers to trade and foreign investment. The core idea is that governments should focus on the things only they can do and leave everything else to markets.

It turns out that most of the Asian high-fliers have adopted a more permissive attitude to the role of government. Indeed, Mr Page argues that the success of the region can best be understood in terms of a "strategic growth" model that focuses more on what has to be done to achieve rapid growth than on who should do what.

On the strategic theory, development will be rapid provided countries find a way of: accumulating capital rapidly; allocating resources efficiently; and catching up technologically.

But there is no presumption that any of these functions should be reserved exclusively for the private sector. The miracle economies appear to have used a mixture of market incentives and state intervention in each of these areas:

● Accumulation. Gross domestic investment averages a startling 37 per cent of GDP in east Asia against an average of 26 per cent in developing countries as a whole. Yet this advantage was not won purely by adhering to the market-friendly approach.

The region has admittedly created a positive climate for business investment by pursuing conservative fiscal and monetary policies – inflation has averaged 9 per cent over the past 30 years, less than half the rate in other developing countries. The public sector has also invested effectively in people (enrolment in primary education far exceeds levels elsewhere, as does attention to vocational education), although it has not spent an atypical proportion of national income on social services.

But most of the Asian high-fliers have also interfered with market mechanisms. They have limited the personal sector's ability to consume and heavily regulated the financial sector so as to ensure a predictable supply of low-cost capital for industry. Mechanisms for forcibly shifting resources from consumption to investment vary – Japan, South Korea and Taiwan, for example, have maintained stringent controls on consumption and housing. The net effect, however, is the same everywhere: an abnormally high rate of savings.

● Efficient allocation of resources. Governments have striven to ensure that the most important market of all – that for labour – is flexible, if not fully competitive. Wages have largely reflected market supply and demand, partly because trade unions have been suppressed. Focusing hard on success in export markets has also imposed crucial competitive discipline and prevented domestic prices for industrial inputs moving far out of line with world markets.

It turns out that most of the Asian high-fliers have adopted a more permissive attitude to the role of government

Yet bank research indicates governments have also intervened vigorously. While less protectionist than the third world as a whole, few accepted western free-trade principles. Many have used import controls to protect strategic sectors (for example, quotas in South Korea, high tariffs in Thailand) and showered offsetting subsidies on export industries. At one time or another state-owned industries have played an important role in many of the economies, including South Korea, Taiwan, Indonesia, Singapore and Thailand. Many have not hesitated to direct the supply of credit to particular sectors. Both South Korea and Taiwan provided automatic credit for exporters in the early stages of development.

● Technological catch-up. The lesson again is that remarkable productivity growth only partly reflects market-oriented policies. Singapore, Malaysia, Thailand and, to some degree, Taiwan, have welcomed foreign investment. Early developers such as Japan and South Korea used other devices, such as licences letting them copy foreign technology. But unlike many other developing countries none tried to rely on home-grown technology.

However, all high-fliers intervened selectively to promote particular industries, with varying intensity and success. The process of trying to shift industrial output towards high-valued-added sectors is described by enthusiasts as "getting prices wrong in order to create dynamic comparative advantage".

South Korea provides a wealth of examples of aggressive and successful intervention. The government's most audacious move was perhaps to create from scratch a domestic steel industry despite foreign donor opposition and lack of private-sector enthusiasm. The state-run business went on to become the world's most efficient steel producer.

An internal bank memo sums up South Korea's record: "From the early 1960s, the government carefully planned and orchestrated the country's development. ... [It] used the financial sector to steer credits to preferred sectors and promoted individual firms to achieve national objectives. ... [It] socialised risk, created large conglomerates (*chaebols*), created state enterprises when necessary, and moulded a public-private partnership that rivalled Japan's."

Singapore provides another classic example of directed growth. When private sector companies failed to respond to opportunities identified by bureaucrats, state-owned or controlled groups were often pushed to the fore, the memo says. The bank has documented selective interventions throughout the region, even in supposedly free market Hong Kong.

The Asian example poses a dilemma for bodies such as the IMF and the World Bank, especially in former communist countries. Does it still make sense to advocate a form of "shock therapy" – the doctrine that deregulating and privatising everything as fast as possible is the optimum policy? Or should they recommend east Asia's slower, more interventionist path to economic maturity? It all depends on whether east Asia's deviations from orthodoxy can be replicated.

There are some grounds for caution. Mr Vinod Thomas, the bank's chief economist for east Asia and an architect of the market-friendly strategy, points out that government activism outside east Asia has produced dismal results. A distinction should also be drawn between the earlier "northern tier" of Asian high-fliers – Japan, South Korea and Taiwan – and the later "southern tier" of Malaysia, Thailand and Indonesia.

Until the 1980s, countries such as South Korea were able to promote exports and protect imports without provoking much criticism. But pressure for a more level playing field has since grown intense. Broadly speaking, the southern tier of later developers has pursued more market-oriented policies than the first wave of Asian stars. Industrial interventions have also tended to be less successful. A bank memo describes Malaysia's efforts as "by and large a costly failure" and Thailand's as "largely ineffective".

Less tangible political and cultural factors may also be crucial. Most Asian high-fliers benefited from long periods of stable (if authoritarian) political rule. This encouraged long-term horizons. Public-sector bureaucracies have also tended to be more able and less corrupt than in most other third world countries. Governments were thus unusually well placed to implement development strategies.

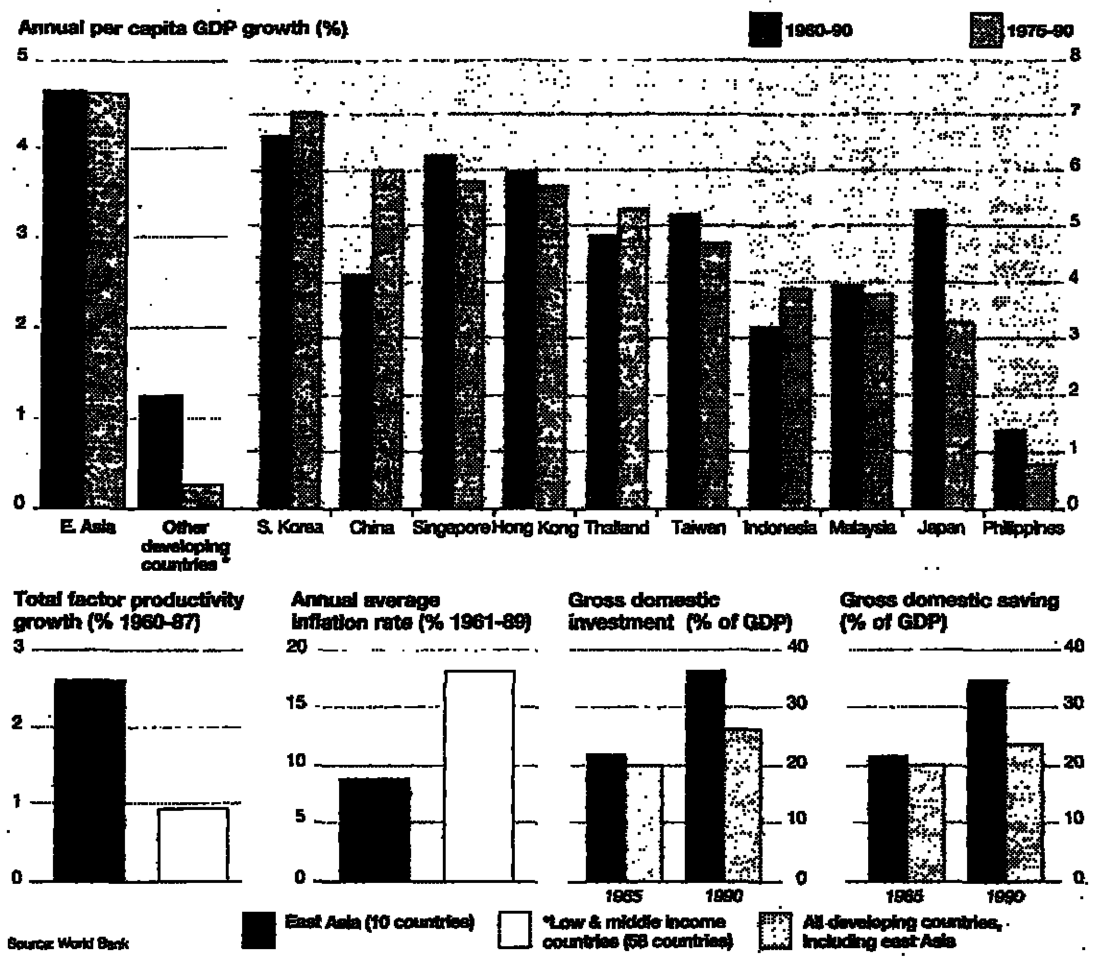
Policymakers were also remarkably pragmatic; if a policy did not work it was rapidly dropped. South Korea, for example, went through several phases. It was relatively market-oriented in the early 1960s, became highly interventionist during the "heavy and chemical industries" drive of the 1970s, and then reverted to greater reliance on market forces in the mid-1980s. No region, it seems, has been less weighed down by ideology or more willing to seek advice from abroad.

The bank has only just begun the politically charged process of drawing conclusions from mountains of research papers. But senior officials believe the study may lead to a new paradigm for development in the 1990s. The evidence confirms that the miracle economies did indeed "do things differently". In many instances, "government played a big role, trade was not open and financial markets were repressed", concedes Mr Thomas.

"If we're right," says Mr Page, "the economic policy arsenal has many more weapons than we suspected." Mr Thomas agrees: the lesson from east Asia is that "you need a government guiding hand; you cannot just abdicate development to the private sector". He predicts that the bank will pay more attention to the role of institutions and to the potential for partnerships between the public and private sectors.

The most encouraging aspect of the Asian story, officials say, is that habits and institutions crucial for economic success were created rather than inherited. To raise the social standing of entrepreneurs, for example, South Korea had to overcome its Confucian traditions, which had glorified the scholar-bureaucrat. Singapore raised its savings rate from 1 per cent in 1965 to more than 40 per cent today. The implication is that sufficiently determined governments can work similar miracles in other places.

The east Asian economic miracle



OBSERVER

Have livery, can deliver

■ The time for eating their own words has perhaps arrived for any pillars of the City of London's long-pedigreed establishment who lamented last year's granting of livery-company status to a bunch of parvenus calling themselves information technologists.

On Friday night leaders of the new worshipful company of same were looking forward to spending tomorrow in Honiton, Devon, for the launch of one of the body's pioneering ventures – portable high-tech communications units called Telecentres.

But now the company's master, Mrs Steve Shirley, is volunteering to prove the product's mobility by rescheduling the launch for London. The demonstration model could easily be put on a lorry and delivered to the City ready to operate from Wednesday morning, she says.

Floater

■ Could peace be near in the Beer War at Britain's Department of Trade and Industry?

As Observer reported last Tuesday, Edward Leigh and Neil Hamilton, both of them Thatcherite ministers at the department, are at loggerheads over regulations that a pint must consist fully of liquid – the frothy head cannot be included.

Hamilton wants to get rid of the rule as part of the government's deregulation initiative. Leigh is sympathetic, but as he introduced the regulation in the first place, he wants it saved.

A compromise plan being floated is that pubs should become total regulation-free zones, able to serve beer in whatever measures they liked. There would be no need to check that a pint was a pint, and disgruntled customers could take their custom elsewhere.

Such radicalism has obvious appeal to right-wingers such as Hamilton and Leigh. But it seems unlikely to win approval higher up in the government. Indeed, the plan has the look of being brewed up over a pint or two.

Clashing shades

■ Meanwhile any supposition of a deep change in Lady Thatcher's philosophy is an exaggeration. However outraged she may be by the plight of Bosnia's Moslems, she was back in classic form during her visit to Warsaw, whose citizens must be feeling peculiarly blessed by the presence of retired British politicians of conservative hue.

In town to open her foundation's office as well as Forte's new hotel, the former prime minister drummed home to her audiences that they must never, *never* succumb to the allure of Marxist and Leninist ideology. All would be well in the world, she boomed, as long as the frontiers of socialism were being turned back.

Ethnic cleansing

What may lead the local citizenry to feel not just blessed but somewhat confused is that in Thatcher's wake there arrived her ex-deputy Lord Howe of Aberavon, whose views on the matter differed in more ways than being voiced in less strident tones.

Besides wondering aloud whether the situation in the erstwhile Soviet Union would not take a turn for the worse, he admitted the west was now less confident about the future than it had been three years ago when the Berlin wall came down.

There was another contrast too. President Lech Walesa, for reasons best known to himself, gave Lady Thatcher a wide berth. But Lord Howe – attending the opening of a Centre for English Legal Studies at Warsaw University, financed by the UK Know How Fund – did get to renew acquaintanceships with Solidarity chiefs he met when he was foreign minister and they were opposition leaders on a visit to Warsaw eight years ago.

Black biting

■ Sixteen months after winning control of Australia's Fairfax newspaper group, Conrad Black is embroiled in a second public row with John Kerin, the country's former finance minister.

After Kerin claimed the bid was against the national interest, Black labelled Australian politicians "venal" and described the bidding process as a "degrading, grotesque charade", but was later allowed to acquire 15 per cent of Fairfax, and management control.

Now Black is saying he became angry because, during a meeting with then prime minister Bob Hawke, Kerin had assured him that foreign holdings of less than 35 per cent were "piffle", implying that the bid would be allowed to go through.

In reply, Kerin claims that no assurances were given, and insists he would never use such an un-Australian word as piffle.

All good fun, but the back-biting may be a bit academic. Black admits that the government's 25 per cent ceiling on his Fairfax stake makes the group a sitting duck if Kerry Packer decides to add to his 10 per cent holding.

Rare document

■ Considering that it exists to promote independent non-executive directorships – and is chaired by Sir Adrian Cadbury of corporate governance, no less – Pro-Ned is scarcely a model of openness when it comes to circulating its own annual report and accounts.

Perish the thought, but could one of the reasons be that, just as directors' pay rises are coming in for such sharp criticism, the 1992 figures show the organisation's highest paid director received a healthy 9 per cent increase to a comfortable £77,812?

Since it would appear from the accounts that Pro-Ned is lacking a remuneration committee at the moment, perhaps its board should consider creating one to investigate such questions.

Way out

■ In the wake of Observer's week of Swiss jokes and day of Swedish jokes, now for a morning of Danish jokes – provided the reader who claims to have overheard the following in Copenhagen is to be believed.

"There are three ways of doing things. The right way, the wrong way, and the British way."

FINANCIAL TIMES
Monday April 26 1993

Pressure on Attali mounts on eve of EBRD annual meeting

By Peter Norman, Economics Editor, in London

THE European Bank for Reconstruction and Development yesterday pressed ahead with its efforts to help the economies of eastern Europe and the former Soviet Union as controversy about the bank's high spending continued to dog Mr Jacques Attali, its president.

As the bank announced an $80m (£51.9m) loan to Romania to improve its roads and launched a new programme on behalf of the United Nations Development Programme to improve management practices in central and eastern Europe, a senior German politician from Chancellor Kohl's Christian Democrat party called for Mr Attali's removal from the top of the EBRD.

In a letter to Handelsblatt, the German business newspaper, Mr Karl Feil, spokesman for the influential finance committee of the German Bundestag, also urged Mr Theo Waigel, the German finance minister and current chairman of the EBRD board of governors, to intervene more in the bank's affairs.

Referring to the high cost of fitting out the EBRD's London headquarters, Mr Feil said that "extravagance on such a scale would normally be regarded as a breach of trust" in Germany. He also accused Mr Attali of being "professionally out of his depth".

The EBRD's annual meeting gets underway formally today in London with its board of governors, representing the countries owning the bank, due to discuss the costs of its City establishment as well as the bank's progress towards assisting former communist countries develop market oriented economies.

It is expected that member countries, if they want to voice criticism of Mr Attali's management style, will save their most forthright comments for a closed session of the board this afternoon rather than express them in the public opening session.

However, Mr John Major, who as chancellor played a key role in ensuring the EBRD would be headquartered in London, is expected to underline the importance of the bank providing value for money when he speaks at today's opening ceremony.

The British government appears to be satisfied with last week's statement from Mr Attali in which he admitted that mistakes had been made at the bank. It regards the measures that he announced to reinforce the EBRD's management structure, including the plan to appoint a new budget director, as a good basis for further development.

Some delegates attending the EBRD meeting suggested the bank might emerge strengthened from the controversy, with its efforts more clearly focused on assisting the former Communist countries and its members taking more interest in its affairs.

"What is important is that the G7 countries are continuing to load new responsibilities onto the bank," said Mr Olin Wethington, a former senior US Treasury official for international affairs in the Bush administration.

Privatisation a priority, Page 2

EC backs tougher sanctions against Serbs to end fighting

By Lionel Barber in Middelfart, Laura Silber in Belgrade and Philip Stephens in London

EUROPEAN Community foreign ministers yesterday put their weight behind tougher UN sanctions aimed at ending the fighting in former Yugoslavia, but left open the option of military intervention against the Bosnian Serbs.

After two days of talks at Hindsgavl Castle near the Danish town of Middelfart, the ministers pledged to enforce new sanctions which will freeze Serbian assets abroad and clamp down on traffic on the Danube and in the Adriatic Sea, from today.

The EC agreed to consider appointing a new "sanctions supremo" to streamline the multiple international efforts to tighten the sanctions, with the UK favouring an American. Mr Douglas Hurd, UK foreign secretary, said the person needed to be someone able to "knock on every door from the Kremlin to Kiev and anywhere else".

Lord Owen, the international mediator, in Belgrade yesterday tried to win last minute backing for his international peace plan from Bosnian Serb leaders. At the end of his five-day diplomatic shuttle around the Balkans, Lord Owen cautioned that the fate of the Serbian people hung on the acceptance of the plan, which divides Bosnia into ten provinces along ethnic lines.

If Mr Radovan Karadzic, the Bosnian Serb leader, rejects the proposed maps, more sanctions will go into force in Yugoslavia, now comprised of Serbia and Montenegro. Lord Owen said: "At midnight New York time today starts a sanctions regime of extreme toughness. Once it starts, it will be very difficult to take them off until there has been total peace and major steps towards the peace plan in Bosnia-Hercegovina."

Croats again fought Moslems, their former allies, in several towns in central Bosnia in the face of a ceasefire organised by Lord Owen at the weekend.

The EC ministers expressed grave reservations about using force against the Bosnian Serbs because of unpredictable consequences and the risk of disrupting the United Nations humanitarian effort.

Mr Klaus Kinkel, German foreign minister, said using force, including air strikes, was very risky. "We could pass the point of no return."

The UK, however, appeared to cross a psychological line on Saturday when officials announced Britain was prepared to use force if necessary to protect 150 Canadian troops engaged in humanitarian operations in Srebrenica.

UK officials have said they expect a senior US envoy to arrive in Europe for consultations on possible military options. But Mr Hurd said he did not expect "a cut and dried plan" and said UK support would depend on its concerns about the use of force being met satisfactorily. France, along with other EC members, stressed that the use of force required UN backing.

Mr Hurd said later on BBC radio that any plan would need also to set out clearly the military resources to be employed and its likely impact on the humanitarian aid effort. "I have not seen a plan which covers all of these points," he added.

Despite his own misgivings, Mr Hurd has made it clear to cabinet colleagues that if President Bill Clinton does decide on air strikes it would be impossible not to back him.

In an attempt to salvage the peace plan, Lord Owen met Serbian President Slobodan Milosevic, Mr Momir Bulatovic, his Montenegrin counterpart, and Yugoslav President Dobrica Cosic.

E Europe frustrated by west's economic attitude

By Charles Leadbeater in Tokyo

EAST European governments are frustrated by growing protectionism among western states pledged to assist economic reform in the region, several east European finance and economy ministers warned yesterday.

The ministers voiced their concerns during a weekend meeting in Tokyo of ministers and businessmen from the Group of Seven leading industrialised nations and their counterparts from east European and former Soviet states.

The conference discussed proposals to assist micro-economic reforms such as privatisation, small business development and trade promotion in east Europe. But the growing signs of protectionism in west Europe sparked prolonged and heated debate.

Several east European delegates warned that without access to export earnings it would be harder for former communist states to reduce their foreign debts and so stabilise their public finances.

Dr Karel Dyba, the Czech economy minister, told the meeting that to attract foreign investment from the west, the eastern states needed access to export markets so that investors could earn hard currency.

Mr Dyba said: "If we are to help ourselves we have to have access to markets. We are worried by some tendencies in some western countries towards more protectionism."

Mr Bela Kadar, Hungary's minister for international economic relations, said: "We want to speed up the implementation of a free trade agreement within Europe.

"But", he added, "the propensity of the west to speed up the removal of trade obstacles seems to have diminished in recent months."

Western officials conceded that trade tensions were a growing concern. Ms Helle Degn, the Danish minister for development who was representing the EC presidency, said trade liberalisation could not proceed as quickly as the east wanted because of sensitivities among some west European industries about low-cost competition.

Ms Degn said: "It would be better to make slow and steady progress towards trade liberalisation rather than take a large step and then meet business opposition."

Mr Andrei Shapovaliants, the Russian deputy economic minister, said the issue of protectionism had been the most vexed. "We have to export to repay our debts," he said.

Mr Shapovaliants noted that most foreign investment in Russia had gone into its traditional export industries such as timber, oil and gas rather than to develop higher technology industries which could compete with the west.

According to participants, these public comments were considerably softer in tone than the complaints voiced during the closed sessions.

THE LEX COLUMN

Tough prescriptions

It will take more than comforting profits figures to restore drugs stocks to a premium rating. With competition increasing and government regulation tightening, past results are an unreliable guide to future prospects. Yet respectable first-quarter figures from the likes of Merck and SmithKline Beecham last week lifted the stricken sector. Friday's correction notwithstanding, drug company ratings may have hit bottom just below the market average.

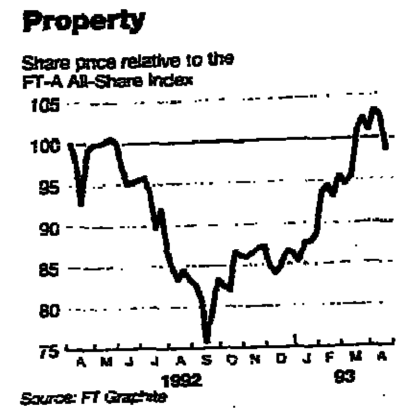
A sustained rally cannot be expected until Mrs Clinton's plans for reform of US healthcare are clearer. Even then, most drugs stocks will not return to the heady rating of the 1980s. That was founded on worldwide sales of pharmaceuticals which, according to Zeneca's pathfinder prospectus, grew at an annual compound rate of 15 per cent. The price component of that growth – perhaps 5 percentage points – is unlikely to be repeated. Regardless of US reforms, buyers of healthcare are getting tough. Following government intervention, drug prices are falling in Japan and Germany. Margins will be squeezed even if volume growth is maintained.

The industry can cut costs, especially in sales and marketing. But that will only run so far. Profit margins of 30 per cent, after research and development expenditure, look unsustainable. If volume growth can match the 1980s, drug company prospects might still look better than the market average – but only for those which develop innovative new drugs. The best in the sector may return to a premium rating. Robbed of the ability to hide behind price increases, the rest may never make a full recovery.

Tarmac

Building material and construction companies have announced some thumping provisions in recent weeks but Tarmac could lay claim to the clear-out cup when it reports its results this week. The UK's biggest housebuilder provisions may exceed £300m, knocking a quarter off the value of shareholders' funds. Yet despite the profusion of red ink, both Tarmac and its sector have been star stock market performers since sterling's devaluation. Tarmac's shares have risen from a low of 53p in September to 140p now; the building materials sector is up by two-thirds.

Investor demand has been fuelled by falling interest rates, the continuing strength of housebuilding starts and



evidence that recent price rises from the likes of Pilkington, Blue Circle and RMC appear to be sticking. Many such companies have high financial and operational gearing ensuring that even small sales and price increases have a startling impact on profits. Savage cost-cutting has also left the sector primed for recovery.

Much of this, though, is already in the price. The prospective rating on both the building materials and construction sectors now stands at a considerable premium to the market. Many companies will doubtless exploit such buoyancy and seek extra funds. Nevertheless, few investors will want to sell such stocks at this point in the cycle. Guessing the intentions of the predatory and cash-rich MB-Caradon will only add spice to the market.

UK property

New life is struggling from the rubble that was the UK property sector. Last week, British Land issued a £200m debenture stock following a £147m rights issue from Slough Estates. Great Portland Estates and Frogmore Estates have also staged share placings to help fund acquisitions. The good reception for these issues makes it likely that a wad of other paper will follow. Companies may want to pay down debt to gain greater financial flexibility.

But any enthusiastic shareholders will be taking a lot on trust despite the sector's recent strong stock market rise. Intuitively, it may seem probable that the bottom of the property cycle has been reached. Yet the latest evidence suggests both rental and capital values are still falling fast. The hope is that rights issues will lessen the compulsion for cash-strapped property companies to sell high-yielding assets. For most, the cut in gearing would not be enough to remove their attractions in the upturn. Fresh capital may also create a self-reinforcing mechanism whereby greater liquidity ensures firmer property values, more secure dividend yields and higher share prices.

The theory is debatable. The most certain beneficiaries of fresh capital injections into the property market, though, will be the banks. If the appetite for new equity issues extends to some harder-pressed property developers, this will help firm up some of the banks' shakier loans. New funds may also stimulate the property market itself to the benefit of the UK's two biggest property companies – Barclays and NatWest.

Japan

The US Administration seems to be causing no little irritation in Tokyo with its apparent attempt to talk up the yen. Having delivered a stimulus to the Japanese economy which was larger than expected, the government had hoped that US officials might ease off on trade. Instead, it seems that some of Mr Clinton's advisers believe that the strengthening yen has prompted a drop in Japanese car sales in the US. They hope that any further appreciation will hit other Japanese exports. Either the Japanese make trade concessions or the US allows a strong yen to do its work for it.

So far, Bank of Japan intervention has managed to hold the the line at Y110 to the dollar. Still, the pain is being felt. Japanese exporters are making some efforts to reduce costs, but deep cuts have been avoided, and companies are loath to give up cosy labour practices. While the currency has not moved as sharply as it did in 1986, Japanese companies are starting with much weaker balance sheets. Lower cost Asian manufacturing centres such as Taiwan and even China are now producing high-quality textiles and commodity electronics which are displacing Japanese goods. A strong currency is a significant brake on the stock market's recent run.

It remains unclear whether a rising yen is the right prescription to solve the trade problem. The imbalance is caused more by a collapse in Japanese demand than by an export surge. Further cuts in the Japanese discount rate might have more effect – always supposing that US exporters can take advantage of any recovery in the domestic Japanese economy.

Spirit of the blitz returns to the City

Continued from Page 1

choir and organist numbered only 19. "I thought stuff the IRA and we went ahead and did it."

But at St Ethelburga's the bells may never ring again. The church, originally built before the Great Fire of London, which survived the Victorian building boom and the Blitz was reduced to rubble. The smallest and one of the oldest churches in London's business district had taken the full force of the blast.

The weedkiller bomb packed into a tipper truck left a crater nearly 20 feet deep and 30 feet wide.

Amongst the destruction there was a touch of humour as an office worker from the Hong Kong and Shanghai Banking Corporation watched paper blowing in the breeze. "Our computer data is all safe, but our files are spread around the City. If anyone sees a piece of paper with our logo on, could they kindly pick it up and return it to us?"

In those early hours of the morning Bishopsgate resembled a sea of glinting blue glass. Two Barclay's bank cash machines were pushed askew in their housings. The window had caved in on a security shop called Bishopsgate Crime Prevention Centre. A sign on the door said: "How secure is your home?"

Ms Janine Barber, and executive director of IndoSuez Aval inSt Helen's Place, just off Bishopsgate and near to the centre of the blast, said: "We got hit by the last bomb, we've just had a burglary and now we have had this so we've learned to cope by now."

UK banks should widen margins says Barclays chief

By John Gapper, Banking Correspondent, in London

THE UK government should follow the example of the US and the Federal Reserve in helping banks to widen their margins to help them raise profitability and maintain lending in recovery, according to Sir Peter Middleton, deputy chairman of Barclays Bank.

The Fed has helped US banks to restore depleted capital by establishing a gap between money market interest rates and short-term bond yields. That has allowed banks to increase their capital by buying government bonds.

In one of the strongest warnings yet about the danger of a "credit crunch", Sir Peter said it would "not be very surprising if the banking system became risk-averse in a big way when a need comes for finance for the recovery".

High street banks' lending to small businesses may be under threat unless the UK government helps them to widen loan margins and restore their profitability, he added.

However, the Bank of England has indicated that it is not likely to try to imitate the US. Banks have limited incentive to use money market funds to buy Treasury gilts at the moment because the yield on such bonds is not high enough.

Sir Peter's remarks, at a lecture given to public-relations practitioners in London, follow widespread concern that banks' losses on small-business lending in the late 1980s will lead them to restrict lending over the next few years.

Although bankers have denied that, Sir Peter argued that "whatever may be said, there are some areas of lending that are clearly under threat" – even though "money is always available at a price".

He said: "It is not totally clear that lending to small businesses can earn returns sufficient to allow for the risks."

Banks have sustained big losses on small-business lending over the past two years, and Sir Peter's bank made a pre-tax loss of £242m ($372m) last year after provisions for bad and doubtful loans in the UK of £1.96bn.

Sir Peter's remarks follow a call from Mr Brian Pearse, Midland Bank chief executive, in February for the UK to encourage bank lending with measures such as a "loan support scheme" giving subsidies for small-business loans.

Sir Peter said that banks needed "some of the same attitude and some of the same understanding" on the part of the British government. "That is the basis of a relationship that would flourish if it is worked at," he said.

He said banks had made mistakes in the late 1980s after the relaxation of credit control. He added that many of them "took on excess amounts of risky assets and mistook the result for profits" only to be hit by subsequent loan losses later.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	19	66	Boulogne	F	12	54	Frankfurt	F	20	68	Majorca	F	18	64	Oporto	C	12	54	Tenerife	F	20	68
Algiers	F	16	61	Brussels	F	16	61	Geneva	F	18	64	Malaga	F	16	61	Oslo	S	19	66	Tokyo	S	21	70
Amsterdam	S	16	61	Budapest	S	23	73	Gibraltar	F	14	57	Malta	F	19	66	Paris	F	14	57	Toronto †	R	15	59
Athens	S	21	70	Buenos Aires	F	21	69	Glasgow	R	11	52	Manila	F	35	95	Prague	S	23	73	Tunis	S	22	72
Bahrain	R	26	79	Cairo	S	25	77	Helsinki	S	19	66	Melbourne	S	16	61	Reykjavik	R	3	37	Valencia	F	12	54
Bangkok	F	35	95	Cape Town	C	20	68	Hong Kong	F	28	82	Mexico City	F	27	80	Rhodes	S	20	68	Venice	C	18	64
Barcelona	F	15	59	Caracas	C	30	86	Innsbruck	F	20	68	Miami †	C	23	73	Rio d'Janeiro	C	30	86	Vienna	S	24	75
Beijing	S	20	68	Casablanca †	F	17	63	Inverness	C	8	46	Milan	R	12	54	Rome	C	18	64	Warsaw	S	24	75
Beirut	F	19	66	Chicago †	C	11	52	Islamabad	F	37	99	Montreal †	C	10	50	Salzburg	S	24	75	Washington †	F	16	61
Belfast	F	12	54	Cologne	S	20	68	Istanbul	S	14	57	Moscow	S	19	66	S'Francisco †	S	11	52	Zurich	F	18	64
Belgrade	S	22	72	Copenhagen	S	19	66	Jakarta	R	32	90	Munich	F	24	75	Seoul	S	16	61				
Berlin	S	25	77	Corfu	S	20	68	Johannesburg	S	23	73	Nairobi		-	-	Singapore	F	32	90				
Bermuda	S	21	70	Dallas †	C	17	63	Lisbon	F	13	55	Naples	F	19	66	Stockholm	S	20	68				
Bombay	S	33	91	Dublin	F	11	52	London	C	12	54	Nassau	F	26	78	Strasbourg	F	19	66				
Bordeaux	F	13	55	Dubrovnik	S	20	68	Los Angeles †	S	13	55	New Delhi	S	38	100	Sydney	C	19	66				
				Edinburgh	R	9	48	Luxembourg	S	15	59	New York †	S	12	54	Taipei	C	23	73				
				Faro	R	14	57	Madeira	C	16	61	Nice	R	14	57	Tangier		-	-				
				Florence	C	17	63	Madrid	C	8	46	Nicosia	C	19	66	Tel Aviv	F	21	70				

Temperatures at midday yesterday
† Noon GMT temperatures
C-Cloudy Dr-Drizzle
F-Fair Fg-Fog H-Hail
R-Rain S-Sunny
Sl-Sleet Sn-Snow
T-Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

Monday April 26 1993

INSIDE

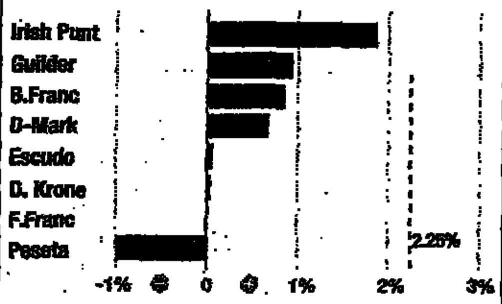
Packer and Murdoch in satellite bid

Telecom Australia, the government-owned telecommunications carrier, has joined forces with News Corporation, Mr Rupert Murdoch's US-based media group, and Mr Kerry Packer's Channel Nine television network to bid for Australia's first satellite television licence. If the bid is successful it would establish Mr Packer as the dominant force in Australian commercial broadcasting. Page 19

European Monetary System

The European exchange rate mechanism's grid underwent a change last Friday, when the peseta fell victim to another strong speculative attack. The Spanish currency is now bottom of the ERM grid, some ½ a percentage point below the next weakest currency, the French franc. Although the peseta fell through its central rate against the D-Mark on Friday, it is still some way above its ERM floor. But the scale of intervention by the Bank of Spain and successive rises in interest rates have provided only a limited support to the currency.
Peseta remains vulnerable, Page 3
Currencies, Page 31

EMS: Grid April 23, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 14.3, according to IBES, the consensus estimates service (last week: 14.3). This compares with an IBES estimated p/e for the "500" of 18.4 (18.9) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 17.87 (17.78).

Market Statistics

Companies in this issue

Daf vans plant to be sold to MBO team

By Kevin Done, Motor Industry Correspondent

A MANAGEMENT buy-out team from Leyland Daf Vans reached agreement with the administrative receivers at the weekend to take over the Birmingham-based van operations of the failed Dutch commercial vehicle maker.

A separate management buy-out of Leyland Daf's truck factory in Lancashire is also expected to be announced this week, securing the plant's remaining 900 jobs.

The van deal is supported by funding of around £45m ($69m), including equity support from a venture capital consortium led by 3i, UK government financial aid including regional selective assistance, and bank facilities provided mainly by the Royal Bank of Scotland.

The total funding includes the purchase price, working capital, and financing of dealer stocks. Equity in the venture is understood to total around £7.5m in both ordinary and redeemable preference shares.

The deal marks the first rescue of part of the Leyland Daf truck and van operations in the UK, which plunged into receivership at the beginning of February as part of the financial collapse of Daf, the Dutch commercial vehicle maker.

Mr Murdoch McKillop of accountants Arthur Andersen, one of the joint receivers, said the rescue of the van operations had "put a whole corner of the [Leyland Daf] jigsaw firmly into place".

The MBO has saved around 975 jobs at the Birmingham plant, with workers agreeing to a pay cut as part of the rescue. Separate negotiations are under way for the rescue of the other parts of the failed UK Leyland Daf business including the Multipart parts warehouse and distribution operation at Chorley, Lancashire, the Albion axle and components plant at Glasgow, the marketing and sales operation at Thame, Oxfordshire, and the individual international businesses in several African countries.

The rescue marks a more interventionist approach by the UK government. The deal has received UK state funding both through regional selective assistance totalling around £4m from the Department of Trade and Industry, and through additional finance of £4m provided to the Birmingham Heartlands Development Corporation to purchase 42 acres of surplus land at the Leyland Daf van plant site at Washwood Heath in east Birmingham.

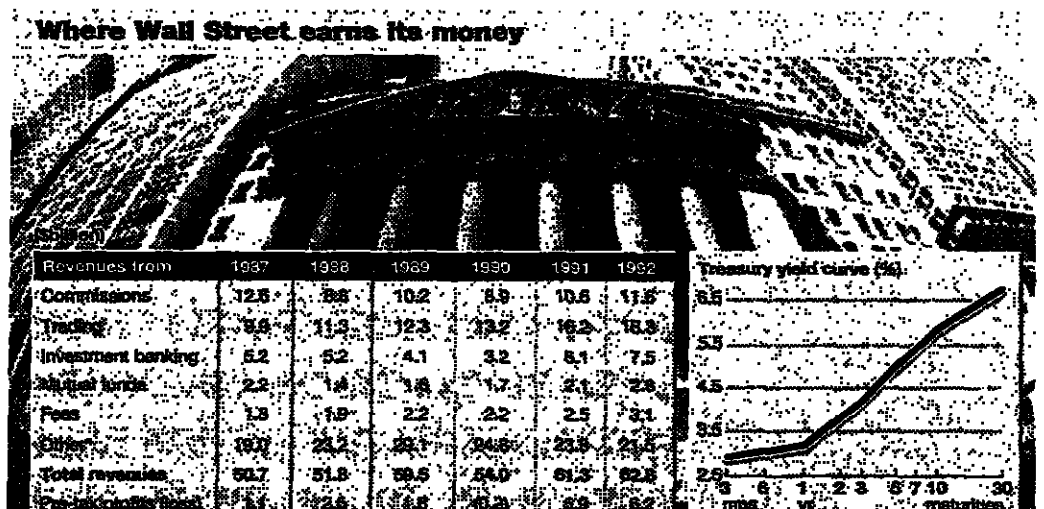
The business plan prepared by the MBO team is far more modest than the failed van strategy developed by Daf in the wake of its takeover of the former Freight Rover van operations in 1987 as part of its acquisition of Leyland Vehicles.

The MBO team plans to concentrate on the sale of basic, low-cost utility panel vans to large UK fleet customers.

Trucks buy-out near, Page 18

Patrick Harverson looks at a shift in power as takeover experts lose status

Bond traders take over the reins of Wall Street



WALL STREET'S bond traders are on a roll.

Not only have they been bringing in billions of dollars of revenues for their employers in recent years, and millions of dollars in salary and bonuses for themselves, but they have also taken a firmer grasp of the reins of management on Wall Street.

Their rise is a turnround from the 1980s, when the investment bankers from corporate advisory and mergers and acquisitions (M&A) departments, who put together the multi-million dollar transactions and earned the multi-million dollar fees, ruled the roost. Revenues from the M&A business have tumbled over the past few years, and with them the status of corporate advisers and dealmakers.

Recent managerial changes at big firms illustrate how the power base on Wall Street has shifted.

In the most interesting move, Morgan Stanley surprised Wall Street in early March by announcing that Mr John Mack was replacing Mr Robert Greenhill as president of the firm. Mr Mack emerged from the bond trading side, having run Morgan Stanley's fixed-income securities operations for six years. His predecessor was a veteran investment banker, and one of the top M&A advisers of the 1980s.

Later the same month, a management shake-up was announced at Merrill Lynch. After the firm had created two management committees and moved executives, analysts labelled Mr David Komansky, the head of Merrill's bond operations, as the winner in the reshuffle. He was given charge of both debt and equity trading and sales, and was promoted to the new office of the chief executive.

Finally, at the end of March the investment bank Lehman Brothers named Mr Richard Fuld, a former bond trader, as sole president of the company. Mr Fuld's appointment left his former co-president, the M&A veteran Mr Tomilson Hill, out in the cold. Mr Hill promptly resigned.

As Mr Michael Flanagan, an analyst at Lipper Analytical in New York, says: "Just from the examples we've seen over the past few months, the emergence of the bond trader as a manager on Wall Street is more than a coincidence."

Mr Perrin Long, securities industry analyst at First Michigan, agrees. "Bond traders, and traders in general, are getting more power. We saw that, for example, with the recent shifting around of the second- and third-tier levels of management at Morgan Stanley. And to some extent it's the M&A people and the dealmakers who are losing out."

Mr Long, however, says there is nothing unusual about this power shift on Wall Street. "If we go back to May Day [the abolition of fixed brokerage commissions in 1975] and the 1970s, the big guns were from the research department. They then went away, and in came the M&A people during the 1980s, and they had their day in the sun. Now it's the bond people who are having their day in the sun. They will be in the driver's seat for the next couple of years, at least until interest rates come back up."

Low US interest rates and the steepening of the yield curve (the widening in the differential between yields on short- and long-term government securities) have been key elements in the traders' success.

Low rates have reduced firms' total interest costs, which despite large debt loads are now shrinking to 1987 levels. And the steep yield curve has allowed traders to borrow cheaply at the short end and use the money to buy longer-term assets that not only earn higher rates of interest, but which also have been appreciating considerably in value because of the booming bond market.

In this favourable climate, bond traders have thrived. According to Mr Long, trading revenues at Wall Street firms reached $16.3bn, up from $9.9bn in 1988. Over the same period, however, revenues from the M&A business have tumbled.

In 1988, at the height of the M&A boom, Wall Street's investment bankers brought in $1.37bn of fees from M&A transactions. By last year, fees were just $217.3m. Trading revenues now account for a much bigger percentage of total industry earnings. In 1988, earnings from trading accounted for about 19 per cent of industry revenues, while the share taken up by investment banking revenues (which include M&A, underwriting and corporate advisory fees) accounted for about 10 per cent of the total. By 1992, trading contributed 26 per cent of revenues, while the share taken up by investment banking had risen to only 12 per cent.

Now that they play a greater role in generating profits, it is no surprise that traders are assuming more power on Wall Street. Yet does this mean that firms will now concentrate their energies more on their trading businesses, and less on the traditional work of advising corporate clients? Such a strategic shift would make the industry's earnings, already very volatile, even more prone to sudden swings.

An emphasis among Wall Street firms on trading for their own account, however, is not a particularly new development. Since the mid-1980s securities houses and investment banks have increasingly pursued the shorter-term rewards of trading profits more rigorously than they have the longer-term returns from client relationship banking. The arrival of the traders at the top of the management tree can be seen as the culmination of that process.

As for the danger of increased earnings volatility, Wall Street firms are well aware of the potential pitfalls.

In the past few years many of the biggest players in the industry have added a new dimension to their earnings profile by aggressively building up a presence in asset management – an area traditionally dominated by the big mutual funds and money managers.

The asset management business has grown quickly. In 1985 the fees Wall Street firms earned from managing client accounts totalled $947m. Last year, the business brought in more than $3bn.

So does this mean that executives from the asset management will eventually take their turn at the top, perhaps after the traders? It is unlikely, says Mr Long, who adds, only half joking, that asset management "just isn't a sexy enough business for Wall Street".

Soros puts $400m into rising gold market

By Deborah Hargreaves in London

MR GEORGE Soros, the international currency trader, has agreed to buy a $400m stake in Newmont Mining, the Denver-based gold mining company, as a way of gaining exposure to the rising gold market.

The company will announce today that funds controlled by the Soros family have bought 6.8m shares in Newmont and agreed in principle to buy a further 3.2m shares at a cost of $39.50 a share. The shares are being sold by General Oriental Investment which is controlled by Sir James Goldsmith and Lord Rothschild's RIT Capital Partners.

The sale will make Mr Soros the second largest shareholder in Newmont Mining with 13 per cent, leaving Sir James with a stake of about 30 per cent. Mr Soros rose to fame in September as he made a $1bn profit when the UK was forced to leave the exchange rate mechanism of the European Monetary System.

Mr Gordon Parker, Newmont's chairman and president, said yesterday that he "couldn't have imagined a better home for the shares, for what it tells the world about sentiment on gold".

The gold market has been improving in recent weeks with the price reaching a six-month high of $347 per troy ounce on Friday.

"We're seeing the confluence of gold as a commodity and gold as money," said Mr Parker. Demand for gold from Asia has been increasing while production has remained steady. At the same time, investors have increasingly been buying gold as a hedge against uncertainty in the currency markets, fear of inflation and economic unrest.

Newmont's shares rose by $3 in New York trading on Friday to $45⅝ while trading in gold futures on the Comex was extremely busy.

Mr Parker said that Sir James's decision to sell part of his Newmont stake was consistent with his plans when he bought into the company two and a half years ago. Sir James started selling Newmont shares in February when he placed 1.8m with institutions. At the time, he insisted he was still bullish on gold.

Sir James acquired a 42 per cent holding in Newmont as part of a deal with Lord Hanson in October 1990.

A cool look at the costs of global warming

Economics Notebook

By Peter Norman

THE environment is a bit like Lewis Carroll's Cheshire cat where economic policy-making is concerned.

Environmental arguments loom as large as life if they can be used to bolster the case for unpopular measures. At other times, however, the environmental cause fades even when it may be vitally important to the future physical and economic welfare of the nation concerned.

Take two recent examples. In his March Budget, Britain's chancellor Mr Norman Lamont cited last year's agreement in Rio de Janeiro on a new UN convention on climate change as the reason for imposing value added tax on domestic fuel and power from 1994 and for UK government plans to increase road fuel duties by an average 3 per cent a year in real terms in future Budgets.

Less than a month later, Mr Lamont was in Tokyo at the Group of Seven finance and foreign ministers' meeting to decide western help for Russia. Although Mr Lamont's Budget speech had referred to the possible need for further co-ordinated international action on global warming, he and his G7 colleagues failed to consider any such plan when working out how best to help Russia.

Admittedly, Russia's problems of slumping output, incipient hyperinflation and policy gridlock were and are pressing. Moreover, the perceived need of the West to provide speedy support for President Boris Yeltsin probably precluded an elaborate link between western support for economic reform and action to clean up Russia's environment.

But Mr Lamont's Budget speech referred to the Rio convention on climate change as a "milestone in international efforts to halt global warming". If it is that important, it clearly merited being taken into account in the discussions over Russia's economic policy.

The reason why is spelt out in a recent work* from the Paris-based Organisation for Economic Co-operation and Development. This makes clear that efforts to control global warming by limiting the emission of greenhouse gasses cannot succeed if they are confined to the industrial countries.

Russia and the other former communist countries of the Soviet Union and eastern Europe have – alongside India and China – a key role to play in limiting the output of carbon dioxide, the most important man-made greenhouse gas, in the next 50 years.

Using an econometric model, known as GREEN, the OECD has concluded that its 24 industrialised member states would need to cut emissions by 44 per cent compared with the level that could be expected on a "business-as-usual" basis if they were to act alone in the spirit of Rio to stabilise their CO_2 emissions at 1990 levels in the period to 2050. But this effort, which would inevitably cost output, would reduce world emissions by only 11 per cent from what they would otherwise be.

"Thus", the OECD says, "action to tackle the climate change issue must involve the major non-OECD countries emitters – China, India and the former Soviet Union."

At first sight, Russia is not the biggest problem. On a business-as-usual basis, the OECD projects that China and India, with their much larger populations and relatively unsophisticated technologies, will increase carbon emissions by an annual average of 3.7 and 3.9 per cent respectively in the period from 1990 to 2050. By contrast, the growth of carbon emissions in the former Soviet Union is projected at 1.4 per cent a year on average. In the OECD area, emissions would grow by 1 per cent a year if no action is taken.

On the other hand, Russia and the other former Soviet republics top the international league table for subsidising domestic energy prices.

The OECD study makes clear that only the western industrial countries actually tax energy. Coal prices in China and India are kept lower than marginal costs. At the time of writing, the administered oil prices in the former Soviet Union were only a tenth of the world prices because recent increases in the official oil price had been offset by successive rouble devaluations. Russia's domestic oil prices have fluctuated wildly in relation to the world price in recent months but are now estimated at only 4 per cent of world prices compared with about one third last autumn.

The OECD study estimates that worldwide energy subsidies (net of taxes in the industrial countries) amount to $235bn in 1985 prices and exchange rates, which is equivalent to a subsidy of $45 per ton of carbon pumped into the atmosphere. Subsidies in the former Soviet Union alone totalled $163bn, an implicit subsidy of $175 a ton of carbon produced, it says.

Eliminating energy subsidies worldwide could go a long way to cutting carbon dioxide emissions. Calculations based on the GREEN model suggest that such a reform would cut world emissions by almost 20 per cent below business-as-usual levels in 2050 while also raising the real income of many non-OECD countries by improving the efficiency with which energy resources are used.

US and UK officials argue that the International Monetary Fund's economic reform programme for Russia should go some way to reducing such subsidies as Russia brings its energy prices into line with world market levels.

But if – and it may be a big if – we are to take global warming seriously, it is difficult not to conclude that the G7 missed a trick in its recent negotiations in Tokyo.

Although it is always possible to dispute the assumptions behind, and results from, econometric exercises such as GREEN, the OECD's figures suggest that a huge effort will have to made in both the industrialised and non-industrialised countries to limit emissions of greenhouse gases.

Making the environment a clear part of the G7 assistance for Russia would have provided a useful precedent for the international co-operation agreements that will be needed to turn the aspirations of last year's Rio earth summit into reality.

The economic costs of reducing CO_2 emissions. OECD Economic Studies No 19, Winter 1992. FFr120 from OECD Publications Service, 2 rue André-Pascal, 75775 Paris Cedex 16 or from HMSO.

All Nippon Airways plans to cut dividend

By Paul Betts, Aerospace Correspondent

ALL NIPPON Airways (ANA), Japan's largest airline, is planning to cut its dividend in the face of the downturn in the international and Japanese airline markets.

The airline expects to report sharply lower net profits of around Y3bn ($27m) for the year ended March, 1993, against a profit of Y7.6bn previously.

Profits are expected to remain under pressure during the next two years, Mr Isao Yagi, ANA's corporate planning director, said.

Mr Taiji Kameyama, ANA's head of international relations, warned the dividend was likely to be trimmed. "It represented 10 per cent of the face value of the shares last year; this percentage will most probably be reduced this year," he said.

The airline is embarking on rationalisation and cost-cutting, including increased use of aircraft leasing, the reduction in the annual intake of new recruits, the possible hiring for the first time of lower-cost foreign cabin attendants, and the redeployment of corporate headquarters staff to sales and marketing functions.

Faced with a Y10bn increase in interest charges, the airline is reining back its 1991-95 capital spending programme from Y1,300bn to Y1,000bn, and is delaying the introduction of some new aircraft.

The airline's international operations lost money last year while domestic operations were profitable.

Empty seats, Page 19

Deal soon on Leyland trucks

By Ian Hamilton Fazey, Northern Correspondent

A £40m-plus deal, including the management buy-out of Leyland Daf's Lancashire truck factory, is expected to be finalised this week following agreement over the week end by Barclays Development Capital to provide all the equity finance.

An equity injection of £5m was the final piece needed to complete a complicated package involving the company's management, clearing banks, Barclays Development Capital and Lancashire Enterprises.

Coopers and Lybrand, the management's principal adviser, will today start what it hopes will be final negotiations with Arthur Andersen, the Leyland Daf receiver. The aim is to complete the deal before Friday.

If successful, the buy out would secure the 900 jobs remaining at the truck factory in Leyland, Lancashire. Nearly 1,200 jobs have been lost there since Daf's parent company in the Netherlands went into receivership in February. If the factory was to close, it would leave a gap in Daf's range of trucks in Europe.

Under the deal now proposed by Coopers, Lancashire Enterprises – the privatised industrial development arm of Lancashire County Council – would buy the 230-acre site and 1.8m sq ft complex of factory buildings from the receiver. It would then lease back 800,000 sq ft of factory space to the truck company's management – which is all the truckmaker says it will need – and develop the rest as a science and technology park.

The values of individual elements of the deal have not been disclosed but Mr Tony Hyams, director of the Manchester office of Barclays Development Capital, put the total between £40m and £50m.

Management would buy the business and other assets – such as equipment, stock and work-in-progress – needed to run it, but would be free of the burden of having to buy land and buildings, the bulk of which it does not need.

Most of the management's deal would be financed with bank loans. It has been talking with Barclays and NatWest.

The package envisages deferred terms for the buyout, involving a large down payment, of which the equity injection is an important element. Staged payments would follow over several months, funded from cash flow. The company has sufficient contracts with the British Ministry of Defence and Daf dealers throughout Europe to guarantee future payments, provided it can keep trading.

Lancashire Enterprises is confident about marketing the site, which is strategically well-placed near the M6 motorway south of Preston. There is a large pool of skilled local labour because of the concentration of defence and vehicle industries in the area.

Mrs Louise Ellman, leader of Lancashire county council and deputy chairman of Lancashire Enterprises, said: "This deal would maintain truck production in the area and safeguard thousands of jobs among suppliers, many of whom are locally-based."

Anagen valued at £40m in June float

By Norma Cohen, Investments Correspondent

ANAGEN, a biotechnology company with no sales to date, plans to raise about £10m through a flotation in June. About 25 per cent of the company's capital will be sold in the float through its brokers Albert E Sharp, giving a total market valuation of some £40m.

Anagen is developing a line of automated medical diagnostic systems following development of a fully automated immunoassay system.

The initial product, to be known as AN2000, is a fully automated immunoassay system which is an ultrasensitive method of measuring the presence of cancer markers, fertility hormones and other substances in blood.

Mr Mervyn Sennett, managing director, said the company will not be ready for commercial production until November 1993 although its product is currently in pre-production.

Its development costs – so far at £14.5m – are financed by a consortium of venture capital firms led by Schroder Ventures and including CINVEN, the venture capital arm of the Coal Board pension fund, Electra Capital, Norwich Union Venture Capital and Questa.

Anagen has signed a marketing agreement with Organon Teknika, a subsidiary of Dutch pharmaceutical chemicals company Akzo. Teknika already markets a line of tests for such diseases as hepatitis and HIV, considered complementary with the product line contemplated by Anagen.

NEWS DIGEST

18% rise for British Assets Tst

OVER THE six months ended March 31 1993 net asset value of British Assets Trust rose by 17.9 per cent to 105.9p.

In particular the trust benefited, as a consequence of sterling's devaluation following exit from the ERM, from holding overseas assets.

A year earlier at March 31 1992, net asset value stood at 84.4p.

On the revenue side the half year produced a total of £14.6m, against £15.7m. Net available for ordinary worked through at £7.41m (£7.47m) equal to 1.93p (1.95p) per share.

The second quarterly dividend is 1.07p (1.04p) indicating a total for the year of not less than 4.28p (4.19p).

Fleming Contl asset value rises

Fleming Continental European Investment Trust reported net assets per share of 271p at March 31, a 15 per cent increase on the 235p of a year earlier.

Net revenue for the year to the end of March was £1.8m (£1.55m) for earnings per share of 2.71p (2.32p). A single final dividend of 2.7p is being recommended, compared with a total last time of 2.8p.

● The net asset value of 77.53p shown for Fleming Income and Capital Investment Trust on Friday was attributable to the ordinary shares. The value of the unit was 110.83p.

British Empire Securities ahead

Net asset value at British Empire Securities and General Trust rose 30 per cent over the 12 months ended March 31 1993 to 78.66p, compared with 61.15p.

At September 30 1992 it was shown as 60.47p.

In the half year ended March 31 1993 gross income came to £2.05m (£1.74m) including £338,000 (£65,000) gains from dealings.

Earnings per share were 0.59p (0.3p) and the interim dividend is unchanged at 0.25p.

Jove Investment capital growth

At February 28 1993, net asset values of Jove Investment Trust had shown increases.

Per capital share the growth was from 29.04p to 38.38p and per income share the rise was from 51.5p to 51.84p.

The revenue account showed total income at £1.52m (£1.55m). Earnings per share were 5.94p (5.59p) and a dividend of 5.6p (5.4p) has already been paid.

£150m tag on Field in summer flotation

By Andrew Bolger

FIELD GROUP, one of the longest established and biggest carton packaging companies in Britain, will come back to the stock market through a flotation in the summer which is expected to value it at about £150m.

Field was first listed on the stock exchange in 1929, but has had a series of different owners since being purchased by Reed in 1965. In 1988 it was sold as part of the management buy-out of its parent's packaging interests, Reedpak, which was in turn acquired in 1990 by SCA, the Swedish paper and packaging group.

The recession caused SCA to sell Field in 1991 through a £109m management buy-out led by Mr Jim Gilchrist, the company's chief executive since 1986.

In spite of these changes of ownership, Mr Gilchrist said the business had continued to grow steadily and now had 14.5 per cent by value of the UK market for folding cartons.

Field's cartons are used to package brands such as Kodak, Cadbury's Milk Tray and Chivas Regal, and a significant proportion of its output is exported. Sales for the year to April 4 are estimated to have grown from £124m to not less than £135m.

The group employs about 1,900 people and has six manufacturing sites in the UK and one in Belgium. Some 600 employees participated in the 1991 buy-out, which was organised by CINVEN, the venture capital arm of the Coal Board pension fund, and Barclays Bank among others.

Mr Gilchrist said: "By focusing on market sectors with international exposure such as confectionery, drinks, tobacco and pharmaceuticals, Field has proved resilient to the recession, increasing sales by an average of 11 per cent per annum over the last five years."

Field is to use the proceeds to help it expand steadily in higher-margin areas such as pharmaceutical packaging.

Changing image at Pearson

Ray Snoddy looks at its strategic move towards TV

THE Thames Television executive said with a smile that Pearson had "started wearing its hair just a shade longer."

He was referring to the planned acquisition of Thames by the publishing, banking and industrial group noted more for caution and a rather conservative outlook than getting involved in racy and high risk businesses such as independent television production.

Yet with irrevocable undertakings already given for Thorn EMI's 58.85 per cent stake in Thames at 200p a share, Lord Blakenham, chairman and chief executive of Pearson, will soon find himself in control of Rumpole of the Bailey, the smutty double entendres of the Benny Hill Show and Arthur Daley's Minder.

Pearson's decision to buy what is now the UK's largest independent producer is not a totally new departure. The publishing group already has stakes in BritishSky Broadcasting, the satellite television venture, and in Yorkshire Tyne Tees Television.

However, last autumn the Pearson board took a strategic decision – that it had to have a more central role in visual media to complement its profitable but mature print based companies such as the Financial Times and Penguin Books.

Although Pearson has no plans to dispose of its oil services and fine china businesses – at least for the foreseeable future – the company is likely to move towards being a more tightly focused media and entertainment group.

Against such a background Pearson and Thames were destined to meet.

Parts of the Thames deal are easy to value – others much less so. Apart from a net cash balance of £13.8m there is the recently revalued £20m stake in the Astra satellite system and freehold studios at Teddington.

The Thames programme library of more than 10,000 hours has been variously valued at amounts ranging from £18m to £60m. Mr Derek Hunt, the retiring finance director of Thames, insists the truth definitely lies somewhere between those two figures.

The programmes already being shown are the UK Gold Library Channel launched on satellite by Thames and the BBC. A second channel of general entertainment aimed mainly at women is expected in the autumn.

Programme making is even more difficult to value. ITV will pay Thames more than £40m this year for its programmes, many of them in the ITV top 20, but so far no longer term contracts have been signed. Rating winners such as the three times a week police series The Bill are likely to have a considerable life on ITV. Thames longer term success will depend on its ability to come up with new ideas for sale to UK broadcasters and international markets.

But even if a fraction of the hundreds of television channels now being promised actually materialise, then there will be a growing demand for programmes from those who own the rights in them.

Thames represents the core of a ready-made television division for Pearson. But Mr Frank Barlow, managing director of Pearson and current chairman of BSkyB, clearly sees it as something of a beginning. Stakes in other broadcasters around the world and the launch of new international channels could follow.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Aegon (Netherlands)	Scottish Equitable (UK)	Insurance	£240m	Demutualisation move
Lafarge Coppee (France)	Asland (Spain)	Cement	£205m	Bid for full control
Bowater (UK)	Tower (US)	Medical supplies	£68m	Strengthening global position
Barclays (UK)	Barclays Bank SA (Spain)	Banking	£23m	Mopping up operation
ICICI (India)/ JP Morgan (US)	Joint Venture	Banking	£21m	60/40 venture launched
Peek (UK)	Modern Control Systems Engineering (China)	Traffic controls	n/a	Taking 41% stake
Littlewoods (UK)/Price Club (Canada)	JV	Retailing	n/a	Warehouse club move
BHP (Australia)/Elkem (Norway)	Groote Eylandt Manganese Sales/Elkem Mangan (JVs)	Manganese ore	n/a	Production & supply deals
Cable & Wireless (UK)/ Hong Kong Telecom (HK)	JV	Telecoms	n/a	Asian penetration
Rewe (Germany)	Budgens (UK)	Retailing	£23.5m	Buys Brierley's 26% stake

COMPANIES AND FINANCE

Packer, Murdoch in joint satellite TV licence bid

By Kevin Brown in Sydney

TELECOM Australia, the government-owned telecommunications carrier, has joined forces with News Corporation, Mr Rupert Murdoch's US-based media group, and Mr Kerry Packer's Channel Nine television network to bid for Australia's first satellite television licence.

If the bid is successful it would establish Mr Packer, proprietor of the Consolidated Press Holdings media group, as the dominant force in Australian commercial broadcasting. It would also mark the return to Australian broadcasting of News Corp, which controls 70 per cent of daily newspaper circulation through its News subsidiary.

The consortium said other investors might join the consortium before the end of the week – the bidding deadline for two four-channel satellite broadcasting licences being offered by the government.

Australia's two other commercial television broadcasters are believed to be seeking a role in satellite television, as are a number of US media groups, including Time Warner, Times Mirror and the Los Angeles Times.

Independent Newspapers, the Irish newspaper and a subscription television group run by Mr Tony O'Reilly, chairman of Heinz, the US food manufacturer, have expressed a wish to become involved.

The inclusion of Telecom gives the consortium significant technical flexibility if problems emerge in the development of the digital transmission system which will be a condition of both licences.

The formation of the consortium clears the way for a US-based bid for the second licence, which was reserved for new entrants in an attempt to reduce the concentration of Australian media ownership.

The uncertainty about the shape of subscription television adds to confusion about the future of the John Fairfax Holdings newspaper group, the main competitor to News Corp.

The government agreed last week to allow The Telegraph, Mr Conrad Black's UK newspaper group, to increase its shareholding in Fairfax from 15 per cent to 25 per cent to "safeguard" its investment.

In spite of its small shareholding, The Telegraph has management control of the group, which publishes the Sydney Morning Herald, The (Melbourne) Age, the Australian Financial Review and Business Review Weekly.

Mr Packer recently acquired 10 per cent of Fairfax, but is unable to launch a takeover bid unless he reduces his controlling stake in the Channel Nine network to less than 15 per cent.

● An article published last week referred to Mr Dan Colson as deputy chairman of The Telegraph. In fact, Mr Colson is vice-chairman of the board. The deputy chairman is Sir Frank Rogers.

Chrysler share sale raises $100m

By Martin Dickson in New York

CHRYSLER, the US car manufacturer, has raised $100m by selling a further tranche of its shareholding in Japan's Mitsubishi Motors to US investors over the past few weeks, the company announced.

Chrysler said the sale of 15.5m shares left it with a holding of about 35m shares in the Japanese vehicle manufacturer and cut Chrysler's stake from about 5.9 per cent to 4.1 per cent.

Chrysler has been gradually reducing its Mitsubishi stake as part of a plan to concentrate financial resources on its own motor operation.

In March last year, Chrysler sold about 43.6m shares in the Japanese car manufacturer for about $215m.

Chrysler said the company planned to sell its remaining Mitsubishi shares, which are worth some $200m at current exchange rates, but had yet to set a timetable for the disposal.

It said it may take a gain on the latest sale into its second-quarter earnings.

Empty first class on All Nippon Airways

Paul Betts on the response to dwindling domestic demand at the Japanese airline

ALL Nippon Airways, Japan's largest airline and one of world's biggest, suspended for one day its first class service on its London to Tokyo flight last Sunday because there were no fee-paying first class passengers. On its Tokyo to Sydney route it has discontinued first class. And on its recently-launched Tokyo to Shanghai service it has decided to offer only business and economy class.

ANA has been hit by the turmoil in the international airline market as well as at home by the downturn in the Japanese economy. "We've seen a big decline in first and business class passengers of between 10 per cent and 20 per cent depending on specific routes," said Mr Isao Yagi, the airline's corporate planning director. "As a result we are thinking of discontinuing first class service on certain routes," he added.

The rationalisation of the airline's first class service is only one relatively small aspect of a broad series of measures ANA is undertaking to adapt its operations to difficult times. Although the airline remains one of the few big international carriers to remain profitable, it expects net earnings for the year ended March, 1993 to have fallen to about Y3bn ($68.5m) from Y7.6bn in 1991-92.

Profits are likely to come under even greater pressure during the next two years. "We are going to make the maximum effort to achieve another Yen 3bn profit next year but it's going to be tough." Mr Yagi said.

The airline's shareholders are expected to approve in June the appointment of Mr Seiji Fukatsu as ANA's new president and chief executive. Mr Fukatsu, head of the airline's domestic Air Nippon subsidiary, will take over from Mr Akio Kondo, who is to become vice-chairman.

The new chief executive is expected to place the emphasis on rationalisation, unlike Mr Kondo, who presided over the airline's international and domestic expansion during the past 6½ years.

Senior ANA officials acknowledged that the costs of Japanese carriers have been too high.

However, they explained it was virtually impossible even in hard times to adopt the same sweeping approach to restructuring and job cuts as airlines in other parts of the world.

ANA has established a task force to study ways of improving efficiency, cutting costs while increasing revenues in the difficult climate. Senior ANA managers indicated that cost saving measures could include the hiring for the first time of lower cost foreign cabin attendants and a reduction in the traditional annual intake of new trainee recruits. It has started relocating headquarters staff to sales and marketing tasks to strengthen the airline's marketing and sales operations.

"We are also trying to contract out some of our functions and have postponed the delivery of some new aircraft on order," Mr Yagi explained. ANA is cutting back its 1991-95 capital expenditure plan from Y1,300bn to Y1,000bn. It is resorting increasingly to leasing rather than purchasing aircraft. The airline is considering trimming its dividend.

The aim of ANA officials was to improve competitiveness by reducing costs close to the level of rival US carriers. However, they conceded it would be difficult to bring Japanese costs down to those of other Asian carriers.

The strategy is likely to slow down the rate of the airline's international expansion. ANA, whose operations have been centred in Japan where it has a 53 per cent share of the domestic market, started expanding into the international market in 1986.

ANA has postponed the delivery of some new aircraft

With a network covering 18 international destinations, Mr Taiji Kameyama, ANA's head of international relations, said the company's international route expansion was complete. The next step will be to increase the frequency of services on some of these routes. In the shorter term, the airline sees the biggest potential in the Asian and especially Chinese markets.

The company is slowing down the expansion of its international hotel business and has suspended plans to open a hotel in London.

The airline's strong presence in the domestic market has helped it weather the downturn better than Japan Airlines, its rival which relies on international services for 70 per cent of its business. But growth has slowed down in the Japanese airline market after averaging about 10 per cent a year during 1985-90.

"For the first time since 1985 we had a small decline in domestic passenger numbers in our fiscal year to March 1993," Mr Yagi said.

In spite of a 0.3 per cent fall in domestic passengers to 33.3m, these services remained profitable last year.

By contrast, the international operations facing fierce fares competition lost money, although passenger numbers rose by 7 per cent to 1,574,201.

ANA expects competition on international services from Japan to intensify during the next two to three years with the completion of new runways at Tokyo and Osaka offering greater access for rival international airlines to fly into the Japanese market.

"Our domestic services will continue to be in the future our core business," Mr Yagi said.

Mitsukoshi slips into red as sales fall 3.9%

By Charles Leadbeater in Tokyo

MITSUKOSHI, Japan's most famous department store yesterday reported a Y2.16bn ($19.5m) pre-tax loss for the year ended February.

The company blamed the fall in consumption plus a shift away from the luxury goods which Mitsukoshi is famous for. Mitsukoshi is facing tough competition from a string of newer retailers.

The results reflect the difficulties which Mitsukoshi has had in cutting costs in the face of a downturn in sales. It is bearing a heavy depreciation charge for aggressive expansion in the late 1980s.

The Japan Chain Store Association yesterday reported that sales last month were 4.6 per cent down from the year before, the seventh consecutive monthly fall. The decline was led by a 34 per cent fall in sales of household goods.

Mitsukoshi swung from a Y10.9bn pre-tax profit to the Y2.16bn loss on a 3.9 per cent decline in sales to Y842.4bn.

Mitsukoshi said it would pay an unchanged annual dividend of Y6 per share. It forecast it would move back into modest profit in the coming year.

Mitsukoshi's vulnerability to a fall in sales contrasts with Daimaru, another department store operator, which reported a 23.2 per cent fall in pre-tax profits to Y4.6bn on a 6.3 per cent fall in sales to Y569.6bn.

Matsukaya department store group reported pre-tax profits for the year to the end of February fell to Y3.8bn from Y10.2bn in 1992 on sales of Y491.3bn, down from Y501.9bn.

Nagasakiya, the leading supermarket chain, reported a consolidated pre-tax loss of Y2.37bn in the year ended February, its first loss since listing on the Tokyo stock market in 1963. It sales were 3.8 per cent down at Y494.52bn.

Court gives go-ahead to Marriott bond group

By Nikki Tait in New York

A US court has declined to dismiss the fraud suit brought by certain bondholders of Marriott Corporation, against the hotel and food services group. The bondholder group is led by PPM America, the Chicago-based US fund management arm of Britain's Prudential insurance group.

The controversy centres on Marriott's plan to demerge its financially-healthy lodging business, leaving behind a company which retains the property assets and the bulk of the group's large debts.

The PPM-led bondholders alleged that Marriott sold them debt securities in the spring of 1992, when it knew of the plan. Marriott, which announced the plan last autumn, sought to have this suit dismissed.

Judge Aexander Harvey, in the US district court in Maryland, denied to dismiss four counts of the complaint but dismissed a fifth count. This allows the PPM-led bondholders to go ahead with the pre-trial "discovery" process.

THE REPUBLIC OF ARGENTINA
NEW MONEY BOND DUE 1999

NOTICE IS HEREBY GIVEN for the interest period beginning on April 26th 1993, and ending on October 26th 1993. The bond will carry an interest rate of 4 3/16 % per annum.

Banco Central de la Republica Argentina
Republic of Argentina Financial Agent

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Inflation news helps ease the recovery blues

THE gilt market shrugged off the economic recovery blues, but is thought susceptible to further attacks of this debilitating illness in the weeks ahead.

The first sign of this could come as early as today when the Central Statistical Office announces figures for growth in UK output in the first quarter. Should this lead to the first hard evidence that the UK recession is over, watch out for cries of alarm from the gilt market which could affect this Wednesday's big gilt auction.

Last week's rash of economic data gave further signs that a slow upturn may be on the way, a development that gilts traders reckon could kick off a spurt in inflation and bring a halt to the run of cuts in UK interest rates.

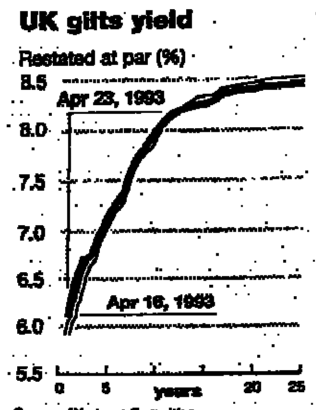
The biggest concern on this score came on Thursday when long gilts lost nearly half a point on news that UK unemployment fell last month for the second month running. The 26,000 fall in the March job queues, after a revised 25,500 reduction in February, arrived with other indicators from the car and housing sectors pointing to a pick up in demand.

At the end of a week of promising economic data, the government said shop sales rose a seasonally adjusted 0.5 per cent in March compared with February, and were 4.1 per cent higher than in the same month a year ago.

However, by the end of the week gilt investors had perked up, on the grounds that inflationary trends were more favourable than these straws in the wind would indicate. Pointing in this direction was that average earnings growth dropped again in February to a year-on-year 4.5 per cent from 4.75 per cent in January, the lowest increase for 25 years.

For manufacturing, the rate dropped 0.25 percentage points to 5 per cent, while for the services sector average earnings dropped to 4.25 per cent, compared with 4.5 per cent.

The figures on wage inflation came after several months in which wage increases have been severely dented, and indicated that a take off in earnings demand may be some way in the future.



Business Strategies, a consultancy, and Gallup, a market research group, weighed in with a joint report saying the recession was still not over and that consumer confidence in the first quarter of this year was less than the far from high levels in the same period a year ago. The survey estimated that consumer spending grew by a minuscule 0.1 per cent in the first quarter compared with the final three months of last year.

A third pointer was Friday's release of monetary data showing a £1.2bn fall in bank and building society lending last month. Indications from the retailing industry, meanwhile, are that consumers are still some way from spending more money in the more luxurious end of the food sector, a sign that any upturn may be extremely slow.

Sentiments sparked by this kind of doleful news pushed life into the gilt market on Friday, with long gilts regaining much of the previous day's loss.

While yields on 10-year gilts changed little on the week, those on short-dated bonds were pushed up by up to 10 basis points on the week. This was on the assumption that the UK government was unlikely to be in a hurry to cut base rates, in spite of the surprise reduction in German interest rates during the week.

The size of the government borrowing requirement will for some time send shudders through the market, with the record £9.5bn deficit for March underlining theories that borrowing for the current financial year could top the £50bn mark. The outcome of this Wednesday's auction of £3bn of 7.25 per cent bonds due 1998 will be a good guide as to underlying demand for the instruments. Many gilt investors fear that the bonds' value may fall over the next two years should the more extreme worries about the build up of government debt turn out to be accurate.

Peter Marsh

US MONEY AND CREDIT

Clinton's Congress defeat shrugged off by markets

THE killing of President Bill Clinton's economic stimulus package has injected some fresh political anxieties into the US credit markets, though these were hard to discern in last week's directionless trading pattern.

Mr Clinton suffered his first large defeat in Congress on Wednesday when Democrats abandoned his much-vaunted economic stimulus package in the face of a prolonged filibuster by an unexpectedly united Republican Party.

The setback, combined with the new administration's clumsy handling of several other issues, raises questions about Mr Clinton's ability to push through Congress the more important items on his legislative agenda, especially large cuts in the federal budget deficit.

Failure to cut the deficit would be very bad news for the credit markets, since it could stoke inflationary pressures and increase the supply of government paper, thus tending to put downward pressure on bond prices.

However, the markets took Mr Clinton's defeat in their stride, with the benchmark 30-year Treasury issue ending the week at a yield of 6.79 per cent, just four basis points higher than the 6.75 per cent of seven days earlier.

There are several reasons. First, the new administration is on a steep learning curve and Mr Clinton is expected to learn from his strategy mistakes over the stimulus bill.

Second, the credit markets were opposed to the stimulus package as potentially inflationary, even though in its final $16bn form it would have had minimal impact on the direction of the economy.

Third, the consensus Wall Street view of the economy presents a benign backdrop for bonds: the US is expected to remain in a slow but sustainable expansion, with both real gross domestic product growth and consumer inflation for the year likely to be around 3 per cent.

These assumptions will be tested on Thursday when the Commerce Department releases its report on first quarter GDP, which will show a sharp slow-down from the 3.7 per cent and 4.7 per cent growth rates recorded in the last two quarters of 1992, possibly to around 2 per cent.

The slow-down was underscored on Friday when the government released statistics showing that orders for durable goods fell 3.7 per cent in March, the biggest decline in 15 months and more than Wall Street had been expecting.

However, both these figures and those for first-quarter GDP will have been distorted by the severe storms which disrupted business activity in the middle of last month, and the underlying economic picture seems rather healthier than the GDP figures are likely to suggest.

Wall Street should get a clearer view of the momentum in the first week of May, when the first statistics for April are released, and these could propel the market out of its narrow trading range.

The market remains prone to inflation scares - the weakness of interest-sensitive shares prices and the strength of gold prices last week has some analysts warning of a build-up in inflationary pressures - and signs of an April bounce-back could unnerve bond traders.

The first week of May will bring details of the Treasury's refunding plans for the month, as well as the results of a government study into the mix of maturities that make up the federal debt.

The new administration has been considering a shift of emphasis from long-dated to shorter-dated instruments, although Mr Lloyd Bentsen, the Treasury secretary, repeated last week that nothing radical was planned.

Even so, the market has been subject to speculation that the government may not auction 30-year bonds in May, which has been one of the factors keeping yields steady over the past week.

Martin Dickson

SWEDISH GOVERNMENT BONDS

Riksbank cautious in spite of market cheer

THE Swedish bond market had plenty to cheer about last week and yields ended Friday on a firm downward trend. The cut in German interest rates, a fiscally tight budget package and reduced political uncertainty contributed to the positive mood.

Given this and the recent strength of the krona, the decision by the Riksbank, the central bank, to cut its marginal rate by a mere 0.25 of a percentage point to 9.50 per cent after the market closed on Friday seemed a little miserly. Dealers had expected a reduction of a full point, the round of European rate-cutting which followed the Bundesbank's announcement on Thursday. The Riksbank is taking a cautious line to enhance the credibility of Swedish monetary policy, indicating that further adjustments will be in 0.25 per stages.

"We are keen to show the market that we do not intend to pursue a policy of aggressively lowering interest rates," said Mr Thomas Franzen, Riksbank deputy governor.

The bank's policy is based on the over-riding importance it attaches to a strong currency and the fight against inflation.

However, Mr Bengt Svelander, senior bond deal at Consensus Fondkommission in Stockholm, points to a difference of perception between the bank and the market. "The market believes the krona will get stronger as the economy gets stronger with lower interest rates. The bank is still concerned that it is only interest rate differentials which are preventing the currency from weakening," he said.

Nevertheless, most bond dealers expect the marginal rate to fall to 8.75 per cent to 9 per cent in the next few weeks, giving a much needed stimulus to the recession-hit economy. One prediction suggested the rate would be as low as 6.5 per cent early next year.

Bond prices are discounting further interest rate cuts, with the yield on the benchmark 1020 bond, due 1997, closing at 8.38 per cent on Friday, down 6 basis points on the day and 33 basis points on the week. Yields on longer-dated bonds were falling, with the 1033 bond due 2003 ending the week at 9.19 per cent, a drop of 30 basis points since the previous Friday.

The budget figures produced last week caused few surprises, as large savings had been signalled in the main January budget.

The market appeared to have discounted the government's gloomier short-term economic predictions, which suggested gross national product would fall by 1.7 per cent in 1993. Even a prediction of a SKr190bn budget deficit for the 1993-94 year, equivalent to 12.9 per cent of GNP, and a SKr255.3bn borrowing requirement failed to disturb sentiment.

What the market liked about the budget was its emphasis on heavy spending cuts in the next five years to eliminate the structural budget deficit. By disclosing a further SKr81bn in savings for the 1994-98 period, the centre-right minority government has announced cuts of about SKr160bn since it took office in September 1991, equivalent to 10 per cent of GNP.

Equally positive was the backing given to the budget package by New Democracy, the political party that holds the balance of power in the Swedish parliament. This suggests an end to the political uncertainty which has unsettled sentiment in recent weeks.

Yet the market reaction could hardly be described as ecstatic for two reasons. First, there are doubts about implementation, given that most of what is being proposed is scheduled to take effect after the next election in September 1994, which may bring the opposition Social Democrats back to power.

Second, there is a feeling that government forecasts on inflation and economic growth over the next few years might prove over-optimistic, and hence upset its calculations. The aim is to limit annual inflation to 2 per cent to 2.5 per cent while achieving GNP growth of about 3 per cent a year between 1995 and 1999.

The inflation forecast seems optimistic. Sweden is a country which is suspected with the problem. Since the krona was floated last November it has weakened by nearly 20 per cent. Hence a large influence on bond market sentiment is likely to be the progress of the current round of wage talks. Evidence of low settlements will probably push yields down further.

Christopher Brown-Humes

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
ASAHI GLASS	29/05/94	19¼	-1¼	17.14
CANON	24/05/95	13	-1¾	13.68
DOWA MINING	18/03/97	19⅝	-1⅝	8.06
HANKYU DEPT STORES	14/03/95	5½	-1¼	45.59
HINO MOTORS	08/07/94	1¼	-⅜	51.17
KOBE STEEL	12/08/96	3⅛	-¼	62.88
MITSUI TOATSU CHEM	30/01/98	2¼	-¼	
MORINAGA	13/06/95	11¼	-2	17.62
NICHIREI CORP	11/06/98	18	+¼	26.69
NIPPON COMSYS	31/01/95	15⅝	-2⅝	10.93
NISSHIN STEEL	18/04/96	2	-⅛	99.05
OKURA	30/01/96	4⅞	-1	37.80
ROYAL HOTEL	14/03/95	¼	-⅛	
SMC	25/07/95	27⅞	+⅛	78.78
TAKASHIMAYA	02/07/98	9	+1¼	32.35
TOYO SASH	05/08/97	5⅛	-⅞	87.92

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on April 23

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

UK companies hit the US private placement trail

UK companies are flocking to the US private placement market, attracted by the ready availability of long-term funding at relatively favourable terms.

Last week saw the announcement of a $116m US private placement for Lucas Industries, the engineering group. The deal, which has a 6.95 per cent coupon and 12-year maturity, comes hot on the heels of similar placements for the Vinten Group, H.P. Bulmer, and Hunting.

Corporate advisers expect more UK borrowers to follow suit.

UK companies say there are advantages in using the US private placement market. "Interest rates in the US are at their lowest in nearly two decades, so you can lock into low fixed rate financing which is very attractive," says Mr Richard Green, financial director at Vinten. The group, a camera mountings and systems, surveillance and electro-optics company, raised $40m of 10-year money this month. It is paying a coupon of 6.72 per cent to the US institutions which hold its bonds. By comparison, Mr Green estimates the company would have had to pay at least 7.52 per cent for fixed rate dollars in the UK.

As important as the low interest rates is that companies find it easier to borrow long-term (from seven years up to about 15, depending on the borrower) in the US private placement market.

That UK companies have turned their attention to the US market reflects the lack of suitable borrowing opportunities on their own doorstep.

Many of the UK names which have followed this route point out that they have little alternative to obtain long-term financing. The pricing on bank loans has risen over the past three or four years, reflecting new controls on capital and concern about the creditworthiness of borrowers at a time of recession.

H.P. Bulmer, the cider group, raised $25m of seven-year money and $20m of 10-year money recently. Mr Michael Ward, group finance director, says: "We wanted a source of long-term funds. Currently there is a lack of preparedness by the UK clearing banks to extend over three years, so if you are looking for five- to seven-year money you have to be prepared to pay a very high price."

Mr Ward points out that he would expect to pay a margin of 75 basis points over the London interbank offered rate (Libor) for loans of between three and five years, and "quite a significant premium" for loans of over five years.

Mr Green says there is more flexibility in terms of covenants with a US private placement than with straightforward bank lending.

In his view, the tight UK covenants – which set out the limits on financial ratios such as gearing – could prevent a company from making acquisitions which in the longer term would help to lift its profits.

While some of the bigger, blue chip names can tap the Eurobond market for longer-term financing, this route is not open to less renowned credits. "Companies below the double-A rating level can't access the Eurobond market easily," points out Mr Stephen Schechter, managing director at Wertheim Schroder.

Lucas's long-term credit rating was recently downgraded by IBCA from A– to BBB+. Mr Edward Freeborn, Lucas's director of corporate finance, admits that given the current credit rating "it would not have been as easy" to go to the Eurobond market as to the US private placement market. Others, such as H.P. Bulmer, do not have a credit rating so would not be able to tap the Eurobond market, or else are too small in size. "We have a market capitalisation of about £200m and pre-tax profit of about £13m ... certainly for us a Eurobond would be out of the question," points out Mr Dennis Clark, finance director of Hunting.

Proceeds from US placements are often used to refinance more expensive debts at lower rates. Hunting has used proceeds from its $50m US private placement to replace its existing dollar borrowings at lower rates, while the proceeds from its $35m seven-year placement have been converted into floating and fixed rate sterling. Lucas plans to use the proceeds of its bond placement to refinance its short-term debt, although it swapped proceeds from an earlier private placement into floating rate dollars and sterling. H.P. Bulmer chose to swap its long-term dollar borrowings into floating and fixed rate sterling to give effective 10-year funding at a margin over Libor of less than one percentage point.

Sara Webb

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
CIC(e)‡	250	May.1996	(e)	99.875R	-	-	Merrill Lynch Intl.
Z-Lbk Bank Austria(f)‡	150	May.2003	(f)	100R	-	-	Lehman Brothers Intl.
Abbey Nat.Treasury Services	1bn	May.2003	6.5	99.5R	6.570	+60 (6¼%-03)	G.Sachs Intl./ UBS
WestLB Finance Curaçao(f)‡	100	May.2003	(f)	100R	-	-	Lehman Brothers Intl.
Cregem Finance(g)‡	100	May.2003	(g)	100R	-	-	UBS
Banco CCF, Brazil(h)#	60	Nov.1995	9.5	99.51R	9.725	+575 (h)	*Socimer Intl.Bank*
Land and Houses(i)§	60	Apr.2003	5	100	-	-	Jardine Fleming
Export Development Corp.	500	Apr.1998	5.25	99.59R	5.348	+22 (5¼%-98)	CSFB/Merrill Lynch/UBS
Republic of Austria(h)	200	May.2008	6.25	98.89R	6.387	+22 (h)	Lehman Brothers Intl.
Merrill Lynch & Co.(k)‡	150	May.2003	(k)	99.75R	-	-	Merrill Lynch Intl.
Citicorp(l)#	75	May.1996	8.25	99.713R	8.360	+420 (4⅝%-96)	Citibank Intl.
Sec.Repurchase Unit Tst II(n)#	36	Oct.1994	(n)	100	-	-	Merrill Lynch Intl.
GITIC(o)‡	150	May.1998	(o)	99.9R	-	-	UBS
Banco Nordeste Brazil(h)#	100	Nov.1995	10.375	99.8R	10.488	+650 (h)	CSFB
Lucas Industries(u)+	116	Jun.2005	6.95	100	6.950	-	Wertheim Schroder
Nissan Intl.Finance(Neths.)	50	Apr.1994	3.6875	100R	3.687	-	Fuji Intl.Finance
YEN							
Marubeni Corp.	10bn	Aug.1997	4.6	100.2R	4.552	+71 (4.7%-97)	Fuji Intl.Finance
Marutomi Group Co.(j)§#	*10bn*	*Feb.1998*	*1.625*	*100*	-	-	*Nomura International*
Marubeni Corp.	10bn	Aug.1998	4.75	100.15R	4.714	-	Bank of Tokyo Cap.Mkts.
Mitsubishi Corp.Finance	30bn	Aug.1997	4.5	100R	4.500	-	Morgan Stanley Int.
Capcom Co.(p,q)§#	12bn	Sep.1997	1.5	100	-	-	Nomura International
D-MARKS							
Kingdom of Denmark(d)	1.3bn	Apr.1998	6.125	99.42R	6.262	+13 (6⅝%-98)	WestLB
Volkswagen Intl. Finance	1bn	May.2003	7	101.75	6.754	-	Deutsche Bank
OKB(r)	300	May.2000	3	100.9	-	-	JP Morgan
FRENCH FRANCS							
KfW International Finance	1.5bn	May.2000	7	98.82R	7.221	+21 (8½%-00)	Paribas Capital Markets
McDonald's Corp.	1bn	May.2003	7.5	99.185R	7.619	+50 (8½%-03)	Société Générale
Toyota Motor Credit Corp.	1bn	May.1997	7.125	99.75R	7.199	+25 (8⅛%-97)	Paribas Capital Markets
Crédit Local de France	*2bn*	*May.2003*	*7*	*98R*	*7.289*	*+34 (8¾%-03)*	*Crédit Lyonnais*
European Investment Bank	2bn	May.1998	6.75	98.89R	7.021	+10 (8%-98)	CCF
Kingdom of Norway	3bn	May.1998	7	99.43R	7.140	+25 (9½-98)	Paribas Capital Markets
STERLING							
New Zealand	150	Nov.1998	7.375	98.807R	7.654	+60 (7¼%-98)	Barclays de Zoete Wedd
P&O(s)§#	150	May.2003	7.25	100	-	-	UBS
Republic of Iceland	100	May.2003	8.75	98.75R	8.944	+90 (8%-03)	JP Morgan Securities
CANADIAN DOLLARS							
Z-Länderbank Bank Austria	150	May.1998	7.25	99.7R	7.324	+47 (6¼%-98)	Swiss Bank Corp.
Rabobank Nederland	150	May.1997	7	100R	7.000	+44 (6%-96)	Swiss Bank Corp.
Canadian National Railway Co.	150	May.1998	7.5	99.175R	7.705	+83 (6¼%-98)	ScotiaMcLeod
GECC	125	May.1997	7	100.1R	6.970	+40 (6¼%-96)	Morgan Stanley Intl.
Kingdom of Sweden	300	May.2003	6	98.485R	6.077	+50 (7¼%-03)	Paribas Capital Markets
LKB Baden Württemberg Fin.	125	May.1997	7	100R	7.000	+40 (6½%-96)	Kidder Peabody Intl.
ITALIAN LIRA							
Eurofima	300bn	May.2003	10.75	101.8	10.451	-	Bca.Nazionale de Lavoro
KfW Intl. Finance	225bn	May.1998	10.5	101.625	10.169	-	BCI/ JP Morgan Secs.
World Bank(m)	100bn	May.2003	10.6	101.675	10.468	-	San Paolo, Turin
Rabobank Nederland	150bn	May.1998	10.5	99.9R	10.627	-	Banca di Roma
Nordic Investment Bank	200bn	May.2003	10.8	101.8	10.501	-	IMI Bank (Luxembourg)
GUILDERS							
Republic of Austria	1bn	May.1999	6.5	100.05R	6.490	+8 (7%-99)	ABN Amro Bank
EPON	300	May.2003	6.75	100.15R	6.729	+20 (6½%-03)	Rabobank Nederland
AUSTRALIAN DOLLARS							
R&I Bk.Western Australia	125	Jun.2000	7.75	100.15	7.726	-	*Hambros Bank*
State Bk.of South Australia	100	Jun.2000	7.25	99.8	7.287	-	Hambros Bank
Bayerische Hypobank	100	Jun.1997	6.75	101.43	6.334	-	Barclays de Zoete Wedd
SWISS FRANCS							
Daiichi Pharmaceutical(a)+◆	200	Apr.1997	0.75	100	-	-	Credit Suisse
Kamigumi Co.(b)+◆	300	May.1997	0.625	100	-	-	Nomura Bank (Switz.)
Tokyo Sangyo Co.(c)+◆	45	May.1997	0.5	100	-	-	Nikko Bank (Switz.)
European Investment Bank	250	Jun.2000	4.625	102	4.288	-	Credit Suisse
Sk.Dutch Municipalities(l)	100	May.1999	3	101.25	-	-	UBS
Republic of Ireland◆	100	Jun.1997	4.75	101.5	4.334	-	Swiss Bank Corp.
Kobe Electric Railway(p)+◆	90	May.1997	0.5	100	-	-	Bca.della Svizzera Italiana
Montreal Urban Community	70	Jun.2003	5.25	100	4.991	-	Wirtschafts-& Privatbank
LUXEMBOURG FRANCS							
Renault Credit International	1bn	May.2000	7.625	102.35	7.186	-	BIL
San Paolo, London Branch(v)	1bn	May.2000	7.75	102.4	7.300	-	Kredietbank Luxembourg
LVMH	1bn	Jun.1999	7.5	101.9	7.100	-	Crédit Européen

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. +Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price. a) Denoms.: SFr50,000 + 50 warrants. Exercise price: Y1763. FX: 76.12Y/SFr. Callable on 27/4/95 at 101% and on 27/4/96 at 100.5%. b) Denom.: SFr50,000 + 50 warrants. Exercise price: Y1077. FX: 76.46Y/SFr. Callable on 6/5/95 at 102% declining by 0.5% semi-annually. c) Denom.: SFr50,000 + 50 warrants. Exercise price: Y1698. FX: 76.51Y/SFr. d) Fungible with the outstanding DM700m. Plus 29 days accrued interest. e) Borrowers full name: Cie Financière du CIC et de L'Union Européenne. Coupon pays 3-month Libor + 0.2%. f) Coupon pays 6-month Libor - 0.25%; minimum 6%, maximum 8%. g) Coupon pays 6-month Libor - 0.25%; minimum 5.125%, maximum 8.125%. h) Spread is over the interpolated yield curve. i) Conversion price: Baht307.31 (14.7% premium over average of last 5 days). FX: 25.2 Baht/$. Callable annually from Sep.96. j) Conversion price: Y5228. Closing price: Y5100. k) Coupon pays 6-month Libor flat; minimum 5.125%, maximum 9%. l) Argentine related notes. m) Issue launched 14/4/93 was increased to L300bn. n) Coupon pays 5.52% semi-annual in the first year and bonds are redeemed at 105.625-109.5% depending on the performance of a related put and call agreement based on Grupo Industrial Alfa shares. o) Coupon pays 6-month Libor + 0.55%. p) Final terms fixed on 28/4/93. q) Callable from 1/4/94 subject to 130% rule. r) Denominations: DM5000 + 5 warrants. Each warrant gives holder the right to buy DM5000 worth of C on 2/11/93. Strike price is set on 7/5/93. s) Conversion price: £6.85 Callable. t) Denominations: FFr50,000 + 300 warrants to the 8½% OAT due 2003. Warrant entitles holder to a FFr1,000 bond at 107.5% strike price. u) Callable at anytime according to formula. v) Issued on a fiduciary basis through Kredietbank Luxembourg. Note: Yields are calculated on ISMA basis.

RISK AND REWARD

Plotting a safe course along the yield curve as the slope changes

As official German interest rates were reduced last week, the D-Mark yield curve took another lurch towards the sort of positive slope that the bond markets have been awaiting for some time. If short-dated bonds are set to outperform longer-dated ones, what are the most effective ways of taking a position to benefit from the change in the months ahead?

The longer end of the yield curve has swung considerably, with the spread between five and 10-year yields lurching up as the curve has become positive. According to some, there is still a long way to go. Mr Jeremy Hale, fixed income economist at Goldman Sachs in London, points out that the differential between five and 10-year yields has shifted more slowly that in other interest rate cycles, suggesting there is a sharper swing to come.

Simply buying short-dated paper has had one big disadvantage: the relative lack of duration (the life of the bond, taking into account both the maturity date and the timing of coupon payments) of short-term paper makes it less price sensitive as interest rates fall. Why pay more for a higher-yielding bond if it repays anyway in the near future?

One answer has been to move out along the yield curve towards the five-year area, picking up duration without losing the relative outperformance of the short end of the yield curve. Also, banks have used the swap markets to structure instruments specifically aimed at investors wanting to take a position on the shape of the yield curve. These have sold well in recent months, though could prove expensive if the curve fails to steepen as sharply as many investors expect.

This year has seen the issue of more than DM6bn of reverse floating rate notes, which pay investors a higher return as interest rates fall, according to Deutsche Bank. The buyers of this paper were almost exclusively German retail investors.

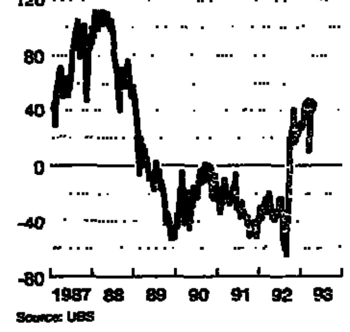
As expectations of falling interest rates have grown, these instruments have progressively offered less of a return: the first issues paid 14½ per cent a year minus the London Interbank Offered Rate, a level which had fallen to around 12¹⁄₂ per cent minus Libor by the time the flow of paper began to dry up a month ago.

Medium-term notes specifically structured for investors looking to play the German yield curve have been produced in abundance in recent months. Typically, the redemption price of the paper is linked to the fall in short-term interest rates: the sharper rates fall, the higher the redemption price.

Mr Paul Abberley, a director of Lombard Odier Investment Management, the London-based arm of a Swiss bank, said his firm had used such paper to extend the duration of its D-Mark investments while keeping its exposure to the short-term end of the market. Such notes bought by Lombard Odier had been issued by institutions such as

German yield spread

10 year minus 5 year yield (basis points)



Source: UBS

the Halifax Building Society and the Republic of Ireland.

"As recently as a year ago, this type of investment was very innovative – no one much in London was doing it," he says. US investment banks have more recently been marketing the idea hard both to issuers and investors, and making considerable headway.

Such swap-based products have a cost, of course – both the market spread, and the profit margin of the bank that constructs them. As a Deutsche Bank official says: "Most of our bigger investors can reproduce these in the market by taking out a number of swaps."

Most investors still prefer to focus their efforts on getting the direction of the market right, rather than on innovative investment products.

Richard Waters

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close April 23

Quotations in cents unless marked $

INDICES

NEW YORK

DOW JONES	Apr 23	Apr 22	Apr 21	Apr 20	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials♣	3413.77	3429.17	3439.44	3443.49	3478.61 (16/4)	3241.95 (20/1)	3478.61 (16/4/93)	41.22 (2/7/32)
Home Bonds	106.88	106.88	107.00	106.84	107.00 (21/4)	103.49 (11/1)	107.00 (21/4/93)	54.99 (1/10/81)
Transport	1618.02	1627.28	1665.78	1645.01	1683.08 (18/4)	1453.84 (4/1)	1683.08 (18/4/93)	12.32 (8/7/32)
Utilities	238.88	239.67	240.86	243.30	247.68 (16/4)	217.14 (8/1)	247.68 (16/4/93)	10.50 (8/4/32)

DJ Indl. Day's High 3448.08 (3488.33) Low 3385.67 (3399.93) (Theoretical♣)
Day's High 3429.17 (3470.77) Low 3403.77 (3424.04) (Actual♣)

STANDARD AND POOR'S

	Apr 23	Apr 22	Apr 21	Apr 20	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	437.03	439.46	443.63	445.10	456.33 (10/3)	439.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	499.10	501.26	505.37	505.99	524.99 (10/3)	497.53 (18/2)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	43.49	44.00	44.38	45.06	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	241.85	243.08	245.07	245.72	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amer Mkt. Value	418.73	419.33	418.03	417.41	423.43 (31/3)	395.84 (8/1)	423.43 (31/3/93)	29.31 (9/12/72)
NASDAQ Composite	658.41	663.51	664.04	661.97	708.85 (4/2)	651.40 (23/2)	708.85 (4/2/93)	54.87 (31/10/72)

	Apr 16	Apr 9	Apr 2	year ago (approx.)
Dow Industrial Div. Yield	3.04	2.98	2.95	2.85
	Apr 21	Apr 14	Apr 7	year ago (approx.)
S & P Industrial div. yield	2.54	2.52	2.55	2.57
S & P Indl. P/E ratio	25.92	26.09	25.82	29.46

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Advanced Micro	3,806,700	30⅛	- ⅝
Chrysler	3,299,800	39⅝	+ ¼
Homestake	3,287,200	16	+ 1⅝
Wal-Mart Stores	2,946,800	26¼	—
Philip Morris	2,790,200	47	- ¾
BankAmerica	2,574,000	47⅛	- 1⅜
Amer Express	2,463,700	29¼	+ 1
RJR Nabisco	2,413,300	5¾	—
Gen Motors	2,400,800	40½	+ 1⅞
Placer Dome	2,329,200	16¼	+ 1⅛

TRADING ACTIVITY

† Volume (Millions)	Apr 23	Apr 22	Apr 21
New York SE	253.517	295.797	286.255
Amex	18.663	14.765	17.232
NASDAQ	(u)	263.782	248.438
NYSE			
Issues Traded	2,497	2,491	2,494
Rises	750	780	927
Falls	1,170	1,153	953
Unchanged	577	558	614
New Highs	39	62	66
New Lows	21	16	19

CANADA

TORONTO	Apr 23	Apr 22	Apr 21	Apr 20	1993 HIGH	1993 LOW
Metals & Minerals	2814.06	2812.59	2857.25	2870.30	2972.25 (9/2)	2743.31 (21/1)
Composite	3685.40	3665.70	3663.83	3663.34	3685.40 (23/4)	3275.80 (21/1)
MONTREAL Portfolio♣	1830.68	1825.28	1830.60	1833.50	1856.83 (23/3)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ♣ Corrected DJ Industrial and Montreal Portfolio indices for April 22.

					1993 HIGH	1993 LOW
THAILAND						
Bangkok SET (30/4/75)	901.26	899.01	889.42	884.22	998.44 (25/1)	849.20 (30/3)
WORLD						
M.S. Capital Intl.(1/1/70) $	551.6*	550.9	551.8	555.0	560.80 (13/4)	488.60 (13/1)
Euro Top-100 (26/6/90)	961.51	966.47	963.81	961.92	966.47 (22/4)	862.73 (13/1)

**Saturday April 17: Taiwan Weighted Price: 4,491.08, Korea Comp Ex. 712.30.
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Friday April 23 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Mt Mn	5.3m	927	+11	Fujikura	3.2m	924	+13
Nippon Steel	4.3m	375	+3	Isuzu Motor	2.9m	464	+8
Nippon Comsys	4.2m	1,250	+10	Mitsubishi Hvy	2.7m	648	-2
NEC Corp	3.5m	901		Hitachi	2.7m	815	-7
Nissan Elect	3.2m	1,170	+100	Tokyo Gas	2.6m	535	+3

JAPAN

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FINANCIAL TIMES SURVEY

European Finance and Investment: **Portugal**

Monday April 26 1993

While Portugal may be the last to fall into the recession that has gripped most of the European Community, it is determined to be the first to climb out. **Peter Bruce** and **Peter Wise** look at the prospects of its catching up with richer EC partners so that it can take full advantage when recovery comes

A head above the crowd

PORTUGAL has a history of arriving late for recessions. In the 1970s and 1980s, the Portuguese economy boomed when the rest of Europe suffered. But then it sank into crisis, just as its peers began to celebrate recovery. This time round, Lisbon's centre-right Social Democratic government is determined not to repeat the pattern.

As a small, open economy, Portugal is being tinged by the recession that is gripping most of its European Community partners. But the government is convinced that however low growth in Europe dips, Portugal can keep its head above the crowd.

Portugal may again be the last to fall into recession, government officials say, but it is determined that it will also be the first to climb out.

Why in past decades did Portugal feel the full brunt of recession when other countries were enjoying an economic comeback? The answer, according to Mr Jose Braga de Macedo, the finance minister, is that profligate governments threw money at problems and lost control over budget deficits.

This time round, he says, things will be very different.

Structural measures have been taken to stimulate the competitiveness and productivity of the economy, a tightly-controlled public spending programme focuses on investment and keeps budget deficits from eating into economic growth, and a social pact should help keep wage rises moderate, he argues.

"We have the resilience and the policies to hold on until the recovery comes and then take full advantage of that recovery," he says.

Portugal today is working to a markedly different set of economic and business rules than when it was dragged down by recession in the 1970s and the 1980s. EC entry came in 1986 and with it the support of a massive inflow of structural funds and later a strong commitment to economic and monetary union.

This goal led to the development of a 1992-95 convergence plan, Quantum II, that set annual targets aimed at bringing inflation, public debt and budget deficits down to EC averages. The election of Mr Anibal Cavaco Silva as prime minister of a majority government in 1987 brought political stability and business began to be able to plan medium and long-term strategies.

Low wages and high growth rates, well above the EC average, attracted an important inflow of direct foreign investment.

The late 1980s were rosy years of expansion for Portugal when gross domestic product growth peaked at 5.2 per cent and capital investment climbed at rates of more than 15 per cent a year.

But, at the same time, as Portugal became more tightly locked into the EC – the Community today accounts for 75 per cent of Portugal's foreign trade – so the risk of being caught up in Europe's misfortunes grew. Recession began to cast its shadow across Portugal as darkly as elsewhere in Europe.

Shaken by the aftermath of the Danish vote against ratifying the Maastricht treaty, some economic commentators in Portugal began to predict disaster, warning that their country was too small and too exposed to escape the recession afflicting their neighbours.

The government originally forecast 3 per cent GDP growth for 1993 but has since revised that figure down to 1.75 per cent. This contrasts sharply with what some independent analysts predict. Mr Rui Martins dos Santos, chief economist at Banco Portugues de Investimento, for example, estimates growth at zero to 0.5 per cent.

But this is a numbers game in which the finance minister refuses to get tangled up. "What is important is not exactly how much we grow but that we grow more than rest of Europe, to ensure that we are continuing the catching up process," he says.

"As long as we are growing faster than the rest of the Community, we are dampening the effects of the foreign recession," he continues.

"If the EC grows 2 per cent and we grow by 3 per cent, that is one thing. But if Community growth is zero, then reaching just 1 per cent is much, much, harder. If EC growth is negative by, say, 0.5 per cent then just reaching zero growth would be absolutely wonderful."

But in the bleak climate currently facing Europe, what makes Portuguese officials so sure they can escape all but a smidgeon of recession this time and come up smiling as soon as European growth re-establishes itself?

Lisbon believes it has learned from the mistakes of some its EC partners and put the right structural measures in place at the right time. 1992 brought tax harmonisation, placed the escudo in the exchange rate mechanism of the European Monetary System and saw the beginning of the reform of the public administration.

Last December the escudo become fully convertible when the Banco de Portugal, the central bank, lifted all restrictions on currency transactions. Risk capital funds to support private investment are being made available by both the public and private sector.

Competition in a newly-liberalised financial sector has been stimulated by a new banking law and the virtual completion of a sweeping privatisation programme.

The result has been a drop in corporate interest rates and more attractive and flexible cash-management services.

The government has sharply cut its borrowing needs, raising a considerable amount of funds abroad and freeing up credit for the productive sector.

Earlier this year, the government announced a series of EC-supported packages worth more than Es1,100bn (£4.81bn) to support housing, agriculture, export diversification and other areas.

"These are structural programmes that are exactly the opposite of throwing money at problems," insists Mr Braga de Macedo. He says they are contained within medium-term plans for control of budget spending. Their aim is help the Portuguese economy pick up quickly when the European recovery comes.

The government is confident that it can take the European recession in its stride. But there is ample room for it to stumble. "If there is a breakdown in one economic policy, all the interlocking architecture of the government's macro-economic policy could come tumbling down," says Mr Miguel Namorado Rosa, chief economist of Banco Comercial Portugues.

The commitment to a strong escudo, preventing lower interest rates, in a context of a marked deceleration of economic activity, is considered the weakest link in the policy chain.

How well could the government withstand a recession? Low unemployment, currently less than 5 per cent, would help lessen the shock and the threat of unemployment would almost certainly moderate wage claims.

Politically, the government is in a strong position. While it could suffer losses in local elections scheduled for December, the next general election is not due until October 1995. The opposition Socialists do not appear to have the strength to force an early poll, even if the economic situation seriously deteriorates.

Were Portugal to escape the recession, that would be a boon as it struggles to catch up with its richer EC partners. Ironically, the know-how for doing so may come from peering quietly over the fence to see where the country's more advanced partners have gone astray.

The trading floor of the Lisbon Bolsa — Ashley Ashwood

Real term growth rates (%)

	1985-90	1991	1992*	1993#
Gross domestic product	4.3	2.5	2.3	1.75
Private consumption	4.3	5.2	4.0	4.0
Public consumption	5.1	3.5	2.0	0.0
Gross fixed capital formation	8.5	2.8	4.0	5.0
Exports of goods and services	10.7	1.8	5.0	5.0
Imports of goods and services	14.0	6.1	8.0	6.0
Current account (% of GDP)	0.8	-1.0	-0.3	-1.0
Government deficit (% of GDP)	7.2	6.8	-	-
Total employment	1.6	3.0	-	-
Unemployment rate	6.6	4.1	4.4	4.7
Inflation rate†	12.7	11.4	8.9‡	6.0

*Estimate #Forecast †Consumer price index ‡Actual

Sources: Bank of Portugal and Ministry of Finance

IN THIS SURVEY

Ancient portraits and the latest equipment: the trading floor of the Oporto Bolsa

Government "interference" at the central bank

Why the minister stepped in

MR Jorge Braga de Macedo, Portugal's forceful finance minister, looks almost hurt when asked if he might not have had just a tiny bit to do with the resignation of the deputy governor of the Bank of Portugal in March and the subsequent attack on the escudo in the foreign exchange markets, writes Peter Bruce.

He does not quite put his hand on his heart and say "Who, me?", but neither does he apologise for any trouble he might have caused.

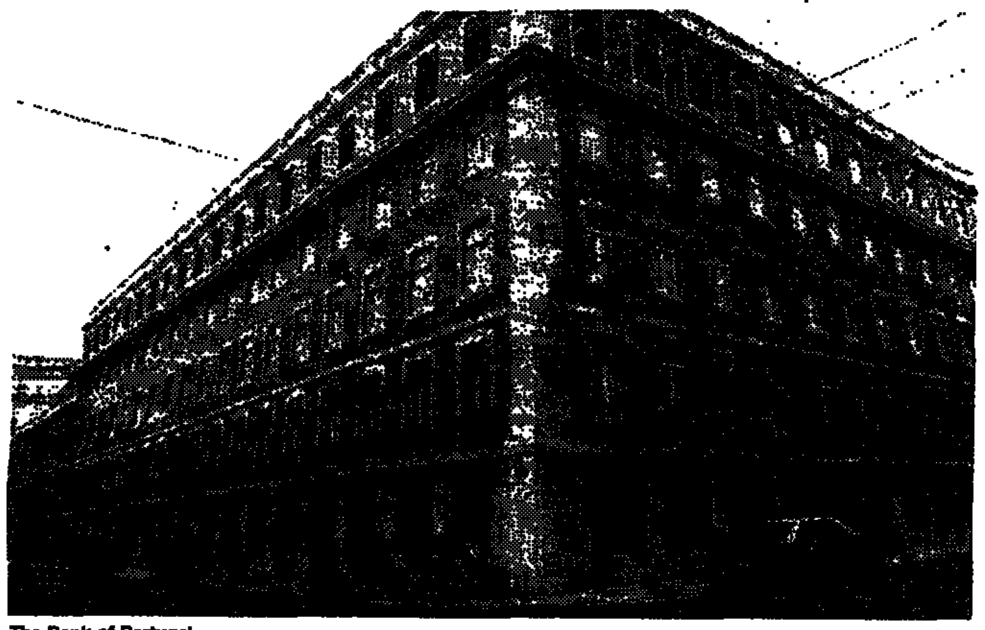
On Thursday March 11 Mr Braga de Macedo made a speech taking the bank to task for not paying attention to the needs of what he called the "real economy" and for not playing a forceful enough role in lowering interest rates. Mr Antonio Borges, its popular deputy governor, immediately resigned in protest at the minister's "interference".

At one level, the affair probably assumed more importance than it deserved. Mr Borges has not explained exactly why he left and it is assumed by some market operators in Lisbon that he may have been looking for a suitable excuse to leave the bank any way.

The most ominous result, though, occurred in the foreign exchange markets, where the escudo immediately came under pressure, dropping to Es94 to the D-mark at one point. In the absence of a clear explanation, the pressure persisted.

It forced short-term interbank rates up from around 13 per cent to 25 per cent at one point and, in March, intervention to support the currency cost the Bank of Portugal about 10 per cent of its non-gold foreign exchange reserves.

However, the important question surrounding the affair may be whether the minister was, indeed, trying to interfere with central bank policy and, if he was, to what extent was he damaging the Bank of Portugal's reputation as an independent institution?



The Bank of Portugal — Ashley Ashwood

The bank's credibility is central to the growth of Portugal's financial markets and its banking industry. The prospect of it becoming fully autonomous under the monetary union rules of the European Community holds out a vitally important promise of monetary stability for tiny Portugal.

The present government has already overseen an important transfer of autonomy to the Bank of Portugal. It is no longer obliged to finance the government (by underwriting treasury bills) and, says Mr Miguel Beleza, the governor, while it could if it was thought appropriate, "we have not thought it appropriate for the last two years".

For the moment, though, exchange rate and interest rate policy are made in conjunction with the government, meaning, probably, that the finance ministry has the final say.

The prospect of the bank becoming fully autonomous holds out the promise of monetary stability

But, assuming the EC's efforts to forge a monetary union remain on track, the Bank of Portugal will become its own master, fully autonomous, before the end of the decade. It will (so the theory goes, at least) control monetary policy and remain the main regulator of the country's financial system.

This may have been where the finance minister stepped in. He says he was not trying to force the bank to cut official interest rates but to get it to persuade commercial banks to narrow the vast gap between their prime lending rates and the high rates that small businesses have to pay for loans.

"The Bank of Portugal could do more to explain how the economy works in a time of change," he says. "It is part of forming a consensus."

The minister sees this political role for the central bank as an extension of four key structural measures taken by the government in the last few years to drag the country's financial system into the late 20th century:

- The end of the bank's obligation to finance the government.
- The start, last December, of full convertibility of the escudo.
- The decision to enter the exchange rate mechanism of the EMS last year.
- New banking laws which open the sector to full competition.

By explaining "how the economy works", Mr Braga de Macedo means that the bank should become involved in debates on how the banking system should respond to the crisis sweeping small and medium-sized businesses as the country teeters on the verge of recession. "Consensus is important," he says. "If we are incapable of responding rapidly to the crisis we will find ourselves still at the bottom while others are recovering. There is a great deal of work for everyone to do."

Is this interference? On balance, it probably is. The question is whether it is interference in the bank's monetary policy role, or in its other task as a regulator. More likely, it is the latter. Even after full autonomy is granted to the central bank, it is unlikely to include banking regulation, where the government will still have the power to make banking law.

The issue has implications for the approaching independence of central banks in Spain, France and elsewhere in the EC. If a central bank cannot be told how to behave as a guardian of monetary policy once full autonomy is achieved, will governments then try to follow Mr Braga de Macedo's lead and implicate their central banks, through their continued exposure to government as banking regulators, in the implementation of policy?

THE ECONOMY

Target is to exceed EC growth

THE PORTUGUESE government may be perfecting a cure for a malady that makes life miserable for finance ministers – the need to set macro-economic targets and the almost inevitable need to explain why they have not been met.

So it is with convergence – the effort being made by member states of the European Community to raise the performance of their economies in order to be able to form a monetary union by the end of the decade. Portugal, like its neighbour, Spain, and a number of other EC members, has previously published a series of inflation, growth and debt targets to guide policy-making as monetary union approaches.

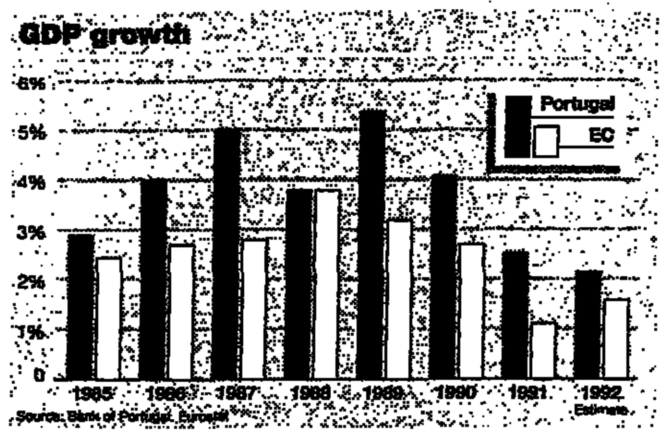
Unfortunately, not many of these targets are being met as Europe falls into economic recession. In Lisbon, though, Mr Jorge Braga de Macedo, the finance minister, deals neatly with the problem. It does not matter, he argues, that official forecasts of the country's economic growth this year have fallen from, first, 3 to 2 per cent and, finally, to 1.75 per cent.

In fact, the minister does not even blanch at suggestions that Portugal's GDP could grow at less than 0.5 per cent this year. What matters is that it grows faster than the EC average. That way, even zero growth would imply continued convergence if the rest of the Community were in recession.

"I don't want to harp on numbers," he says. "We believe we will continue to grow by more than the rest of the Community."

That confidence is crucial now. Portugal is being buffeted by some strong winds. Critically for an export-led economy, its two biggest trading partners, Germany and Spain, are either close to recession or in it.

Miguel Beleza: defending the escudo's parity — Ashley Ashwood



And while inflation is falling – it currently hovers at between 7 and 8 per cent – the government is committed to a stable exchange rate policy which forces it to keep interest rates frustratingly high.

Economic growth may above the EC average but it is a far cry from the buoyant late 1980s. Unemployment, while extremely low at just over 4 per cent, is likely, economists say, to rise about 2 percentage points this year and wages are going up at an average 9 to 11 per cent if you listen to private sector analysts or, according to the finance minister, between 8 and 9 per cent.

Perhaps most worrying to the authorities, though, has been a series of niggling problems with the escudo. This started during the currency turmoil in Europe last autumn. While the currency weathered the initial storm quite well, the Portuguese were forced into a 6 per cent devaluation last November when Spain devalued. Ironically, the escudo quickly recovered after that but was hit again in March by the resignation of the deputy governor of the Bank of Portugal.

The affair was quickly and credibly explained away as so much political theatre but the markets were not listening and have been doggedly testing Lisbon's resolve. Intervention by the Bank of Portugal cost it 10 per cent of the country's non-gold reserves in March. The central bank also chivvied short-term interbank rates up from around 13 per cent to 25 per cent at the peak.

Although Mr Miguel Beleza, governor of the Bank of Portugal, quite discards the possibility that Portugal would, as Spain did to its discredit last year, resort to capital controls to defend the escudo, he insists that "we can and we will use the instruments at our disposal (interest rates and reserves)" to defend the escudo's parity.

Despite this resolve to hold the escudo within its current parity band in the exchange rate mechanism of the European Monetary System, calming down the markets, he concedes, "has taken longer than we would have liked". Neither he nor independent economists believe the attacks will continue much longer. Short-term rates have already fallen back to around 18 per cent and the bank believes it has ample reserves – some $17bn – to fend off attackers and to hold the escudo above Es93 to the D-mark.

Typically, both the Bank and the finance ministry rule out a Lisbon-inspired realignment in the ERM, in which the escudo could gain a little competitiveness. "We believe exchange rate stability is crucial," Mr Beleza says.

Fortunately for Portugal, non-residents do not actually own many escudos but the nature of the attack on the currency is changing and, believes Mr Rui Martins Dos Santos, chief economist with Banco Portugues de Investimento, perhaps becoming more dangerous.

Last autumn, the assault consisted of foreign institutions selling their long positions in escudo securities. The volume of shares, bonds and money market instruments in foreign hands has fallen from Es800bn last September to Es350bn now. At almost the same time, worried Portuguese companies began paying back foreign loans in order to borrow in escudos. First, though, they had to borrow foreign currency to pay the original loans back, thus further weakening the escudo.

Mr Beleza now sees the short positions that foreign institutions have taken in the escudo as being much more problematic, potentially, for the central bank. These positions are modest but he believes the Bank was wrong to resort to an interest rate defence of the currency after the resignation of his deputy. The fact that rates moved so quickly caught the market's attention, he says.

"It was counterproductive. Predators can see the fear in the eyes of their victims," he says. "It's better to have one or two sharks nibbling away than to have a whole lot of blood in the water. That just attracts more."

The sharks, if they care, will also have noticed recent pledges by the government to pump about Es1,000bn into housing, agriculture and exporting programmes over the next few years despite many proclamations in the past of its fiscal discipline. Is the government's political nerve failing?

Its political programme will have an impact on the budget from next year – though much of the total will come from EC transfers and includes the value of land the government plans to give away. That may slow progress towards convergence, but Mr Braga de Macedo is quick to point out that Lisbon's convergence programme commits it to meeting only EC averages and not the strict monetary union targets established in the Maastricht treaty.

Economists like Mr Dos Santos like what they see. "Policy is becoming more flexible," he says. "The government needs to pay much more attention to the economy and forget a little about nominal convergence."

How quickly these programmes put money into the pockets of construction companies, farmers and exporters remains to be seen but both the finance minister and independent analysts believe the current slump is different and that Portugal is poised to make an important break with its economic past.

Mr Dos Santos argues that even if Portugal does slip into recession, it will be this year and it will be short and shallow. Typically, Portugal would go into recession much later than its main trading partners but the hope in Lisbon is that, this time, it will recover along with the rest. But the speed with which recession has overtaken Spain has clearly alarmed the Portuguese and it may be that the "last in, first out" conjecture is just wishful thinking.

"Our great concern is to avoid the impression that there is nothing we can do in the crisis," says the finance minister. "This time we have a medium-term strategy in place and the economy continues to show a resilience which the government hopes will enable it to pick up with the rest of Europe. Our cycle is always late and we need to hold on until recovery occurs."

Peter Bruce

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The machine that moulds the sole to the upper part of the shoe at the Ecco'let factory near Oporto

Ashley Ashwood

Peter Wise on the opportunities for commercial banks

The challenge of freedom

BANK lending rates for mortgages in Portugal have fallen from 24 per cent 18 months ago to as little as 14 per cent today.

This boost for home-buyers is just one signal of the new spirit of competition that has taken hold among commercial banks, and of the significant improvement in underlying fundamentals such as inflation that has occurred over the past two years.

Released from the strait-jacket of government-imposed credit limits and with the process of privatisation in the sector close to completion, banks are operating in a new atmosphere of freedom that is both an opportunity for growth and a challenge to their creativity.

Despite the increase in competition and the squeezed margins that result, banks, globally speaking, have fared well in this new environment that brings them closer to the operating conditions of their European counterparts. With a few exceptions, net assets and net profits grew solidly in 1991 and 1992.

But 1993 will be a year of bigger challenges. "This year will be relatively difficult for the banking sector," says a Portuguese banker. "First, heavy capital investments were made over the past two years to defend and expand market shares when the sector was fully liberalised in 1993. These investments will have to be amortised.

"Secondly, the banking sector will inevitably reflect the marked deceleration of the economy as a whole."

After two years of strong expansion and diversification of their credit portfolios following the abolition of government credit restrictions, banks will now be challenged to exercise constraint and be far more rigorous in their risk assessment.

Credit problems are already growing at a slightly faster rate than credit overall. But banks are not too concerned.

External trade by product groups
(percentage of total)

	Exports 1990	Exports 1991	Exports 1992*	Imports 1990	Imports 1991
Agricultural products and foodstuffs	7.2	7.8	7.5	11.5	13.0
Minerals and fuels	5.9	4.6	4.5	11.1	9.4
Chemicals, plastics and rubber	6.3	5.8	5.4	11.1	11.2
Wood, cork, paper & pulp products	12.2	11.4	10.7	3.4	3.6
Textiles and clothing	29.4	30.3	29.7	10.1	10.2
Leather and footwear	8.5	8.9	9.1	2.7	2.4
Non-metallic minerals	4.1	4.4	4.5	1.2	1.3
Metals and metal products	3.5	3.4	3.6	6.8	6.7
Machinery and electrical material	12.9	13.3	13.9	22.7	22.5
Vehicles and transport equipment	6.8	6.5	7.9	14.2	13.9
Other products	3.2	3.6	3.2	5.2	5.8

*January-October: provisional data. Source: National Statistics Institute

One of the advantages of the previous credit ceiling system is that the majority of Portuguese banks are well capitalised. The two or three exceptions are all public with the guarantee of the state behind them and are eventually likely to be financially restructured.

A key area of attack for Portuguese banks in the less auspicious climate of 1993 will be costs. Higher financial margins in Portugal compared to the rest of Europe tend to allow a higher ratio of costs, enabling banks to accommodate inefficiencies that would otherwise not be tolerated.

With few exceptions, Portuguese banks are much more labour-intensive than their European counterparts and investments in information technology are more recent and often far from complete. Routine operations in a great number of banks are still carried out by hand.

"In an environment of falling margins, the crucial objective is cost control," says Mr Joaquim Gomes, an analyst with Lisbon-based independent stockbrokers Midas Investimento. "Only by reducing the number of employees per branch, installing information technology and generally growing lean and mean can you assure a decent return on assets in these conditions."

BCP, a classic success story in many respects, cannot afford to ignore its difficulties on the cost side. A bank that has grown to the size of century-old rivals in less than a decade, now with net assets of Es1,522bn, BCP runs several networks for different sectors of the market and is reputedly a text-book story of achievement studied at Insead, the French based European institute of business administration.

As margins shrink, a lot of services that were free – from cheque books to financial intermediation – will attract charges

"But when you've been growing at such a pace you're bound to pick up a lot of fat," says one Lisbon analyst. "When you take it onto yourself to open 40 branches on the same day, you can't be too careful about costs. BCP could be twice as big as it is now, without massive new investments or massive new recruitment."

Because they operate on a vastly different scale, other banks have grown at a rapid pace without gathering so much fat. In 2¼ years, Barclays has grown from three corporate offices in Portugal to a network of 65 retail branches catering to medium- and high-worth customers. "We have now built up the critical mass *to establish a viable project*," says Mr Joao Eduardo Freixa, assistant general manager.

The Barclays system is based *on margins of below* 3.5 per cent, cost-consciousness and a low staff ratio – branches are run by three to five people. *The project aims for a medium*-term payback but cash flow has been positive since the end of last year.

"The nature of our project is competitive interest rates and low delivery costs to make them possible," says Mr Freixa. "I believe that is how the business here is going. The margins of 5 or 6 per cent that some Portuguese banks are working at will not be the margins of the future."

Apart from the major Spanish banks, nearly all of which are aggressively expanding in Portugal, Barclays is one of the few foreign banks in Portugal to take the retail path, and as these have at least a two-year head start, other banks seem unlikely to enter that market.

As margins shrink, another avenue that Portuguese banks will have to explore is that of commissions. Banking services in Portugal have largely been free because institutions were earning so much on their margins. Now a lot of services that were free, from cheque books to financial intermediation, will attract charges.

Banks will also have to become more expert at cross-selling, according to Mr Gomes. "It will be crucial for banks to turn what have been just bank clerks into fully-fledged sales people, selling insurance, leasing and other products at the bank counter," he says. Only in this way will they increase premium income to satisfactory levels and get an adequate return from the financial groups they have been building up.

PORTUGAL is enjoying an unprecedented era of infrastructure development. A new 11km, Es121bn (£530m) bridge is to span the Tagus estuary at Lisbon. A *railway crossing will be added* below the existing bridge – all in time for 1998, the year when Lisbon hosts the international exhibition Expo 98 that will lead to a major face-lift for the eastern side of the city.

In the power sector, a consortium led by the UK's National Power is paying Electricidade de Portugal, the state-owned power company, Es183bn *to take* over over *the* construction of two 300MW coal-fired power plants at Pego in central Portugal. The deal could eventually extend to four units. Natural gas is be introduced into the country and one, probably two, gas-fired power plants will be built downstream.

The total cost of European Community and government infrastructure development between 1989 and 1993 is estimated at Es3,500bn and a similar sum is expected to be spent to the end of the century.

What distinguishes the above projects from the billions being spent on new motorways, bridges, railway improvements and telecommunications is that all are being financed by phenomena new to Portugal – project finance, in the strict sense of private sector enterprise in which the cash flow of the project is enough to pay back all the loans raised without recourse to shareholders.

Previously, major infrastructure projects in Portugal were *carried out by giant state*-owned enterprises and financed by loans to enterprises that had the state guarantee of Portugal Inc. Government officials do not deny that has led to the building of one or two white elephants.

Farming out infrastructure projects to state-owned enterprises led to the building of costly white elephants

"Following the wave of privatisations that Portugal has experienced it no longer makes sense to farm out all the major projects to state-owned companies," says Mr Abdool Magid Vakil, chairman of the Lisbon-based Efisa investment company. "The government believes that, if it can get the private sector involved, they will be much more careful and scrutinise everything and in this way avoid the possibility of building another costly white elephant."

But so far Portugal's experience with project finance has failed to overcome some initial stumbling blocks. "It's a little worrying," says Mr Filipe Crisostomo Silva, a director of Banco Finantia. "Portugal has been involved in this for three or four years now and so far has failed to close one deal."

The first project to turn sour was the Es130bn plan to introduce natural gas. The government called off two years of talks in March between an international consortium led by Gaz de France (GDF) and EDP after the two failed to *agree on prices and risk-sharing.*

"We would rather have no deal than a bad deal," Mr Luis Pereira, Portugal's *energy* secretary, said. He blamed GDF, saying it had expected EDP to take on exaggerated risks. It had insisted on fixed costs that were too high and had undermined the talks by reviving already agreed questions close to negotiating deadlines.

GDF said it remained determined to bring off the project if only the points in dispute could be overcome. The Portuguese government has set a deadline of mid-May to decide on what route it will take to bring natural gas into the country.

The difficulties leave a question mark over a 900MW plant powered by natural gas that is being constructed in Portugal by a Siemens-led consortium – which cannot be financed until there is a guarantee of natural gas reaching Portugal – and over plans for a similar plant to be built by 2001.

"The failure of the gas project could be a bad precedent because project finance lives off credibility," says Mr Crisostomo Silva. "International banks have to trust in Portugal, in the stability of the Portuguese government and the economic situation. When you start having problems like the gas project, people might look at Portugal as an unsafe, unstable country and resources may be diverted elsewhere."

A project much nearer financial closing than the natural gas project is the Pego power plant deal. But it, too, has been delayed. The closing was due to have been signed on March 31 but problems arose in three areas: an EC question over the competition status of EDP signing a 28-year exclusive deal to purchase power from the plant and difficulties over both the contract for coal to be unloaded and over the contract for rail delivery of the coal.

The Pego power plant deal is as complex as any international agreement. The Tagus bridge project could be more complex

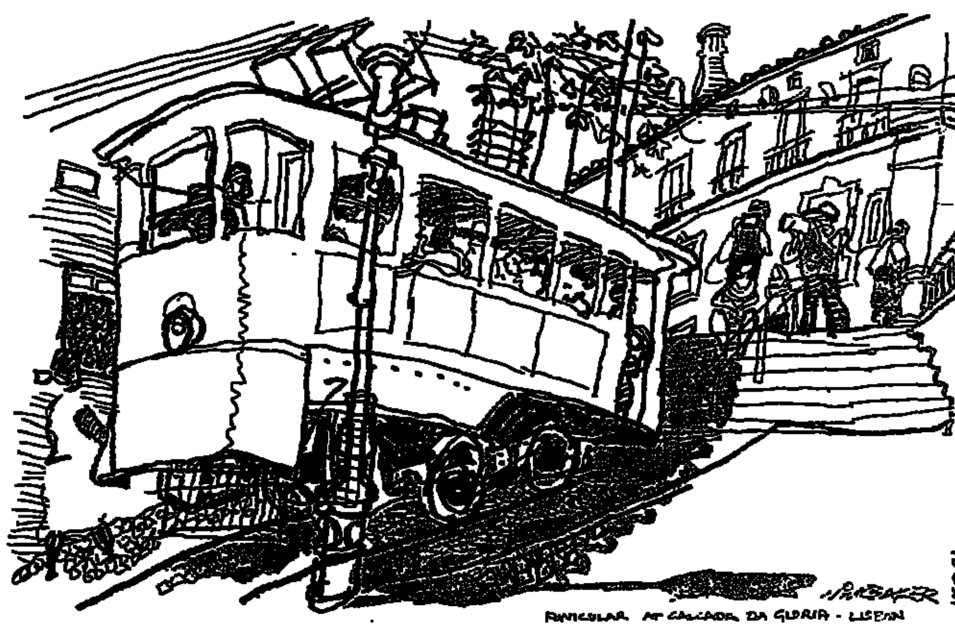
The finance package in place behind the Pego deal is as complex a deal as any major international project finance agreement. It involves the issuing of ordinary shares in Lisbon, shareholder loans, and two Deutsche Mark non-recourse loans to be provided by two syndicates of banks. One is an "offshore facility", the other a "domestic facility" provided by Portuguese banks.

Analysts predict financing the new bridge project will be even more complex than the Pego plan. The main guarantee for Pego is the power purchase agreement to be signed by EDP. In the case of the new bridge, which also brings with it the concession for the existing toll bridge, many complex factors have to be examined.

A list of eight international consortia for the bridge project has been cut down to five and should be reduced to two before the end of the year. Their proposals for the build, operate and transfer deal will have to take into account how many cars will cross the bridge, what toll should be charged, how soon can the consortium hand back the bridge to the state, what will be the impact of the new rail crossing over the existing bridge and other, difficult to assess questions.

"Portugal is learning from its mistakes," believes Mr Crisostomo Silva, "I think you will now see the government waiting longer to choose the preferred bidder and guaranteeing first that it actually has the banks and the money behind it before going into detailed negotiations."

Peter Wise



PROJECT FINANCE

Stumbling blocks still need to be overcome

Profile: BANCO MELLO

Novelty of a network in insurance

NEWLY-created Banco Mello is one of Portugal's smaller banks but its owners believe it is poised to make an important impact on the financial sector.

The family bank has two major factors in its favour – it belongs to the financially-astute Mello family and is being developed hand-in-hand with the clan's other big asset, Portugal's top insurance company, Imperio.

"When we acquired the bank in May 1991, it was nothing more than a bank with a licence and a team of people," says Mr Vasco de Mello, the bank's 36-year-old president. "We implemented a new strategy. "We decided it was important to change the bank's name – it was called Sociedade Financeira Portuguesa – and adapt to a new culture," he says. "We wanted to be a market player in corporate business, in personal business and in the capital markets."

One of Portugal's leading financial families before 1974, the Mellos saw a left-wing revolution whittle away most of their wealth through nationalisation. Mr Jose Manuel de Mello was one of the country's leading businessmen in pre-revolutionary Portugal, controlling the largest economic group, Companhia Uniao Fabril, which had interests in shipping, banking and insurance.

The family dispersed after the 1974 coup and headed for more financially-sound centres such as New York, London and Switzerland. But they never quite turned their backs on their homeland.

Today, with a stable democratic government in office, the Mello family has returned in force. The government, embracing capitalist ideals and a free market ideology, has helped pave the way for their comeback. Through his personal holding company, Uniao Internacional Financeira, the family patriarch Mr Jose Manuel de Mello regained more than 90 per cent of SFP shares when the institution was reprivatised in May 1991.

SFP, granted the status of a special investment company, *was originally created in 1969* by the former right-wing dictatorship as a public limited company, mainly as a vehicle to support industrial and development projects in Portugal and its African colonies, particularly Angola and Mozambique. The group changed the name to Banco de Mello six months after the purchase. Last November, Mr Jose Manuel further tightened his grip on Portugal's financial world by regaining control of the country's largest insurance company, Imperio, buying a 65.55 per cent stake at its reprivatisation.

After 1974 the family dispersed. But they never quite turned their backs on their homeland

For the past two years, the reorganisation of the Jose de Mello Group has centred round the fledgling Banco Mello. Today the bank with a 204-strong workforce has graduated from a small to a medium-sized institution and is ready to climb further. The Mello family plans to use the already established Imperio network, with its 700,000 clients and 80 branches, to expand throughout the country, initially focusing on Lisbon and Oporto. "The main difference is in the concept of banking," Mr Vasco de Mello explains. "We aim to distribute in other ways rather than act like a traditional bank.

Portugal's insurance market is expected to show the biggest growth rates in the EC this year

"Imperio changes our way forward dramatically," he says. "We plan to do the opposite from other banks by developing banking products to add to a distribution network already there. It has a certain novelty – insurance contributing a network for a bank."

Mr Vasco de Mello, the eldest son of shipping tycoon Mr Jose Manuel de Mello, says that there are clear similarities between Imperio and the bank and the family decided it was possible to develop a joint distribution network, using the physical facilities of Imperio, to get closer to a more personal market.

Banco Mello, still the child of the financial sector of the Jose de Mello Group, is just one aspect of an integrated group which is organised into three main financial fields: banking, insurance and investment management. The bank's cash flow for 1992 increased 14.8 per cent to Es1.9bn (£8.32m), while net assets jumped 73 per cent to Es92.4bn. However, owing to large investments, mainly in personnel and information technology, net profits were slightly down.

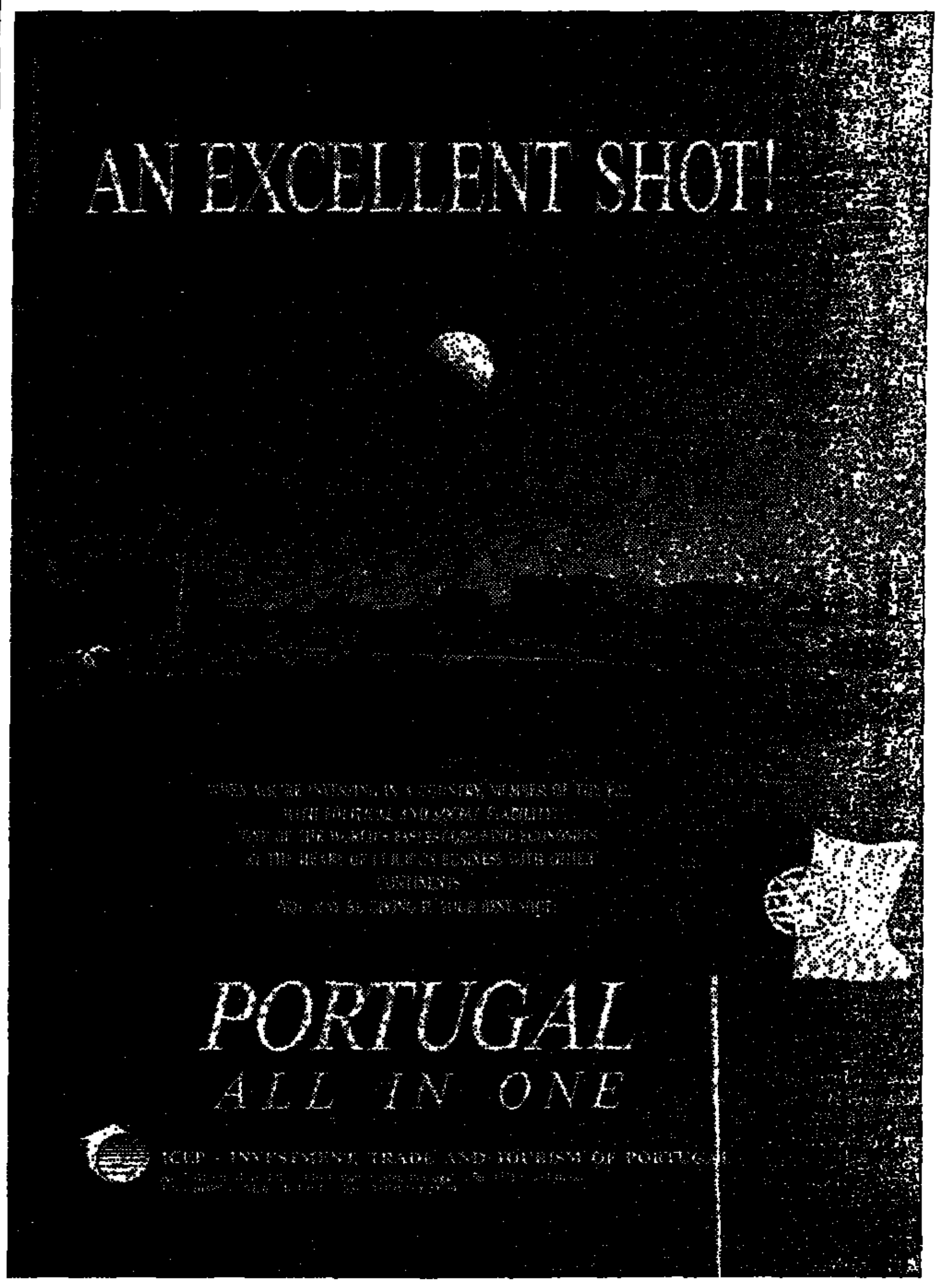
The group hopes to open three more branches by the end of June, with an additional nine six months later. By the end of 1994 Banco Mello is expected to have opened facilities in all Imperio branches.

Although banking competition is intensifying and economic activity has slowed, the group is positive about the development of the bank. It has the advantage of knowing that Portugal's insurance market is expected to show the biggest growth rates in the EC this year.

In 1992, Imperio remained the leading insurance company with a total market share of 12.9 per cent. Net profits were up 8.2 per cent to Es890m while cash flow increased 43 per cent to Es2.6bn. The group is moving into chemical companies and shipping, as well as maintaining its presence in financial services through Banco Mello and Imperio.

"History doesn't repeat itself, but there are opportunities," says Mr Vasco de Mello. "We're just trying to develop those opportunities."

Sarah Provan



Clouds over the government's future privatisation programme

State asset sales face snags

IF EVENTS go according to plan, the weight of state-owned companies in the Portuguese economy will cut by half during the current term of Mr Anibal Cavaco Silva, the prime minister.

According to the 1993 budget, their contribution towards gross domestic product should be no higher than 8.5 per cent by the time the general election is due in 1995, compared to 16.2 per cent this year.

Other declared aims of the government's privatisation programme are to boost capital markets and to strengthen domestic entrepreneurial groups, preparing them for the impact of the single market.

Although the privatisation programme has been a success so far – at least in financial terms – analysts warn that the future could be less rosy.

From spring 1989, when it began, to the end of last year, the total or partial sale of 25 companies yielded Es676bn (£2.96bn). In 1993, the finance ministry expects privatisation revenue of Es225bn, 20 per cent of which will be channelled back into remaining state-owned companies.

Investors are critical that little else is known about the government's privatisation plans. There is no official timetable, which the government says depends on the state of the markets, and finance ministry officials are customarily tight-lipped about future privatisation plans in general.

In 1992, the government concluded the reprivatisation of the insurance sector. This year, it is expected to sell its remaining assets in banks, with the exception of the large Caixa Geral de Depositos and Banco Fomento de Exterior groups, which will remain under state control.

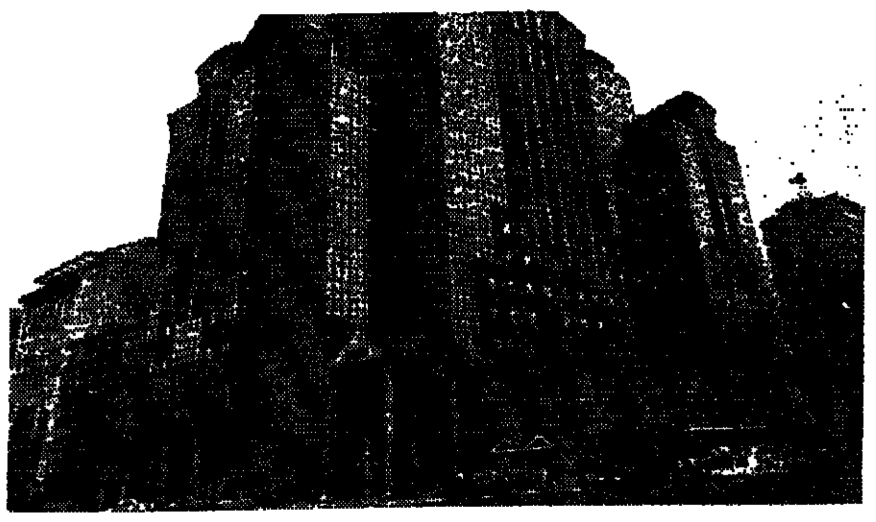
Portugal's private financial groups are still busy establishing themselves and one of their main objectives is to increase in size. This has ensured that most privatisations in the financial sector have been a success. With the possible exception of Banco Pinto e Sotto Mayor, which faces grave financial problems, forthcoming sales in this sector should go smoothly.

The same cannot be said of the state-owned industrial sector where many companies are seriously ailing. This has been seen in unprecedented difficulties in selling off cement, steel and petrochemical companies.

This year's programme started on the wrong foot when the government failed to find a buyer for the cement companies Secil and Cimentos de Maceira and Pataias. It set a minimum price of Es59bn for its 80 per cent share in the two companies. Only Portuguese-controlled groups were allowed to participate. But the two domestic groups originally interested in the deal backed out, complaining that the price was too high. The government is now expected to open up the process to foreign groups in a second attempt.

After apparently missing the right time to sell the Siderurgia Nacional steelworks, the government now faces the unpleasant prospect of having to pay to sell this loss-making giant. Analysts said it was clear from the start that SN could survive only as part of an international group.

However, the one group that has come up with an offer, the French-Spanish Usinor-Sacilor joint venture, is reported to be interested only if the government takes over SN's liabilities, estimated at Es60bn.



Banco Nacional Ultramarino's building, designed by Tomas Taveira, in Avenida 5 De Outubro, Lisbon

Portugal's largest enterprise, the oil company Petrogal, is proving to be another complex and arduous case. The Portuguese media has suggested that the government is considering declaring the sale of the first 25 per cent of the company null and void because of a dispute with the purchasers, the consortium Petrocontrol.

Petrocontrol – a group comprising domestic investors and Total of France – is refusing to share the costs of a badly-needed Es40bn capital increase, arguing that when it bought the 25 per cent share last year it had no way of foreseeing the extent of losses Petrogal would make in 1992.

One need not envy Mr Jose Manuel Elias da Costa, secretary of state for finance, who is responsible for the privatisation programme, his task. In addition to the international recession, which has reduced the value of companies, he has to contend with a constantly depressed domestic capital market and with the increasing apathy of investors aware that the best companies have already been sold. In addition, margins between fixed minimum share prices and the highest bids have been practically non-existent.

In several cases the government has been accused of presenting the companies it is putting up for sale in too favourable a light. Share prices have often fallen following a privatisation, making small investors wary.

Domestic business groups complain of a lack of consideration for their restricted financial potential compared to the power of foreign investors. They claim that if the government were really interested in creating strong domestic groups, it would not make raising as much capital as possible from privatisations its first priority.

It has been suggested that one way of achieving this would be to privatise more companies through direct negotiations or tenders instead of stock exchange auctions, the method used in most privatisations to date.

The government has indicated there will be fewer auctions in future, particularly in the industrial sector. However, officials are caught in a double bind as they have been criticised just as strongly for imposing tight restrictions on foreign participation as a means of protecting domestic interests. The arguments here are that there is simply not enough money in Portugal to guarantee the successful sale of all public companies and that the government is distorting the market by imposing such limits.

These restrictions and the practice of revitalising state-owned companies with public money prior to their sale have also provoked a complaint from the European Commission.

Mr Elias da Costa sought to justify the limits on foreign participation in talks with Commission officials in Brussels earlier this month. He argued that only Portuguese assets were nationalised after the fall of the Portuguese dictatorship in 1974 and that the decision to give priority to domestic capital was a way of compensating for this "injustice".

While the Commission apparently remains sceptical, Mr Elias da Costa is confident that the matter can be resolved without a lawsuit against Portugal in the European Court of Justice. He says the Commission's reservations will not interrupt or slow down Portugal's process of privatisation.

Companies that may be privatised at least partially this year include:

- Banco Portugues do Atlantico: third phase;
- Banco Totta e Acores, remaining 14.5 per cent;
- Banco Pinto e Sotto Mayor;
- Petrogal, second phase;
- Secil and Cimentos de Maceira e Pataias;
- Siderurgia Nacional;
- Gas de Portugal;
- Estaleiros Navais de Viana do Castelo, shipyard;
- Portucel: paper, pulp;
- Four bus companies belonging to Rodoviaria Nacional;
- Part of the water distribution network.

Susanne Rindlisbacher

Peter Wise looks at the progress of investment from overseas

AutoEuropa proves a magnet

DISCUSSION of foreign investment in Portugal over the past few years has inevitably focused on the massive Ford-Volkswagen project, known as AutoEuropa.

The largest foreign investment ever made in the country, AutoEuropa draws attention not only because of its scale: a Es450bn project creating 5,000 jobs directly and another 10,000 indirectly. It is also proving a magnet for other investments.

In a typical development, a 16-strong Spanish delegation seeking joint ventures with Portuguese companies to supply the AutoEuropa project recently visited the country. Other suppliers are moving in from Germany and other European countries.

In addition, Portuguese companies are upgrading their quality standards to meet the rigorous standards of Ford-Volkswagen in a process that is pulling domestic industry into the 21st century faster than any series of government programmes.

But AutoEuropa is not the beginning and end of the foreign investment story in Portugal. Other projects have been attracted by the conditions that led Ford-Volkswagen to select Portugal from hundreds of possible sites.

These advantages, according to Mr Miguel Athayde Marques, president of ICEP, the body that promotes investment, trade and tourism in Portugal, include:

□ low overall costs;
□ low wage costs;
□ productivity to equal the best in Europe when workers are allied to modern management;
□ attractive EC-backed incentives;
□ rapidly improving communication and other infrastructures;
□ political stability;
□ the workforce with the best strike record in Europe; and
□ pleasant living conditions.

Another major investment in Portugal has recently been made by Pepsico Foods International, which is to invest Es13bn ($90m) in setting up a snack-food factory and an Iberian distribution network centred at Carregado, some 50km north of Lisbon.

The project should be fully operational by 2002 and the first stage of production will start shortly. Turnover, when cruising speed is reached in 1996, is expected to total some Es21bn, approximately 70 per cent of which will be from the export market.

The construction of the new factory will lead to the creation of over 1,000 jobs directly as well as a further 600 indirectly. Pepsico officials say that aim of the project is to integrate its operations in the Iberian peninsula and that the site in Carregado offers several advantages over other possible choices in both France and Spain.

Portugal: Direct Foreign Investment (in $bn)	
1986	0.164
1987	0.437
1988	0.959
1989	2.219
1990	3.363
1991	5.527
1992	4.375

The potential of the Portuguese market, where about 30 per cent of total output will be sold, weighed heavily in Pepsico's decision as did the development of transport networks and economic arguments that outweighed Portugal's disadvantages of being further away from the principal demand centres and the fact that the country has a less developed agricultural sector and less up-to-date distribution facilities.

"This is an integrated project from farmer to consumer," says Mr Cesar Bardaji, president and general manager of Pepsico Inc in Portugal. "Our role starts on the farm, where we provide all the seed-potato technology that the farmer requires – irrigation, cultivation techniques and even storage requirements."

"At the outset we considered the possibilities of France, Spain and Portugal. The reason we decided on Portugal, in the end, was market conditions: it's a market that's growing considerably and has great potential.

"Also, we knew that the local authorities were greatly interested in the investment and were prepared to grant assistance," he says. "One of the factors that exerted the greatest influence on the Portuguese government was the fact that the project provided a high level of employment and that it was an integrated agro-industrial concern."

The interest of the Portuguese government translated into sizeable EC-funded investment grants that for contractual projects like the Pepsico enterprise can reach 50 per cent or more of the total investment.

In a recent move to make contractual investment projects more accessible, the government has halved the minimum qualifying investment for the contractual regime from Es10bn to Es5bn. It is hoped that this will also enable some larger domestic companies to qualify.

Neste, the Finnish group, also recently reached agreement with the Portuguese government on a Es17bn project to make full use of the comparative advantages of the Sines Petrochemical complex, less than 100km south of Lisbon, where Neste already runs a petrochemical plant.

The contract envisages setting up a Methyl Ter Butyl Ether plant with a production capacity of 45,000 tons a year. MTBE is a compound that replaces lead in petrol, reducing pollution.

The project also includes increasing the production capacity of Neste's high-density polyethylene plant from 80,000 to 120,000 tons a year and enlarging and developing its polypropylene plant from 70,000 to 80,000 tons a year. The highly capital-intensive project will create only about 40 jobs.

These major contractual investments get into the headlines. But it is small and medium-sized investments and joint ventures that make up the bulk of foreign investment in Portugal.

Even though both the Ford-Volkswagen project and the Pepsico investment were authorised in 1991 – Neste was the only contractual investment made in 1992 – and despite the international recession, direct foreign investment in Portugal last fell only to $4.3bn from $5.5bn the previous year.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 250783						
AIB Grofund American	6	148.3	149.6	157.6	0.00	40581
AIB Grofund Equity	5	207.2	210.1	222.4	3.25	40583
AIB Grofund Euro	5	158.1	159.7	168.1	0.09	40584
AIB Select Exp Balance	3	100.9	102.7	106.9	1.96	-
AIB Grofund Gilt	3	77.02	77.03	79.41	5.10	40585
AIB Grofund Japan	5	156.7	158.1	166.5	0.00	40586
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corpn St, Coventry 0203 553231						
General Inc	5	415.9	417.8xd	444.6	2.38	40401
General Acc	5	456.3	458.4xd	487.7	2.38	41570
UK Growth Acc	6	306.1	310.3xd	330.2	2.72	40092
UK Growth Inc	6	216.8	219.8xd	233.8	2.72	40393
Higher Inc Acc	6	559.5	567.9xd	604.2	3.65	40394
Higher Inc Inc	6	339.9	344.7xd	366.8	3.65	40395
Gilts/Fxd Int Acc	5½	174.0	174.0xd	183.7	6.13	40396
Gilts/Fxd Int Inc	5½	91.18	91.18xd	96.30	6.13	40397
Nth America	6	233.3	239.1xd	254.4	0.00	40398
Far East	6	276.1	278.1xd	293.8	0.20	40399
Europe	6	213.3	215.9xd	229.7	0.92	40400
Brit Excell	6	63.00	63.00	67.03	2.67	40402
Brit Fndmtls Acc	6	85.61	85.61xd	91.08	4.86	40403
Brit Fndmtls Inc	6	66.41	66.41xd	70.65	4.86	40404
Global Opps	6	68.30	69.01	73.42	0.00	46880
Balanced Acc	6	46.82	46.92	49.92	3.08	-
Balanced Inc	6	46.82	46.92	49.92	3.08	-
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
Gilts & Fixed Int	6	129.5	129.5xd	137.3	5.89	40001
High Inc Equity	6	149.2	149.7xd	158.6	5.02	40002
Worldwide Bond	6	261.7	261.7	277.6	4.38	40003
American Growth	6	274.7	274.7	293.9	.69	40004
Asian Pacific	6	220.6	225.0	239.3	.68	40005
Assets & Earnings	6	223.7	228.1	242.6	2.32	40006
Capital Reserve Acc	0	125.5	125.5	125.5	5.21	40007
Comdty & Energy	6	69.00	69.00xd	73.79	.75	40008
1992 Enterprise	6	80.01	80.01	85.57	2.06	46587
Euro Capital Acc	6	107.1	107.1	114.6	.88	40009

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to1100 hours; (✤) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071–379–0444.

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Sheppards Unit Trust Mngmt Ltd (1200)F

1 White Hart Yard, London Bridge SE1 071-407 5966

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Income	5	388.39	388.39	413.18	4.27	40913
Global Inc	5	57.27	57.27	60.92	3.18	40976
Brit Leaders	5	311.31	311.31	331.18	2.14	40914
Intl Leaders	6	161.69	161.69	193.29	0.67	40915
[illegible]	3¼	52.86	54.28	58.4	2.82	-

Singer & Friedlander UT Mgmt Ltd (1000)F

PO Box 224, Beckenham, BR3 4TF 081-663 3003

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
European Trust	6	51.82	51.98xd	55.28	1.26	40492
Far Eastern Tst	6	58.04	58.88	62.81	0.89	-
Smaller Cos	6	148.9	153.4	163.2	1.83	47431

Smith & Williamson Unit Tst Mgrs (1600)F

1 Riding House St, London W1A 3AS 071-637 5377

[illegible]

Societe Generale Touche Remnant (1200)F

3 Finsbury Ave, EC2M 2PA 071-410 4029

[illegible]

Cent. Bd. of Fin. of Church of England‡‡

2 Fore Street, London EC2Y 5AQ

[illegible]

Deposit Fund: See Money Market Trust Funds.

Charinco/Charishare‡‡ (1000)F

33 King William Street, EC4R 9AS

[illegible]

CAFINVEST–Charities Aid Foundation

48 Pembury Rd, Tonbridge TN9 2JD

[illegible]

COIF–Charities Official Inv Fd‡‡

2 Fore Street, London EC2Y 5AQ

[illegible]

Deposit Account: see Money Market Trust Funds

Charity Fixed Int Fd/Charity Equity Fd

33 Gutter Lane EC2V 8AS

[illegible]

Edinburgh Fund Mngrs PLC

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

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FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

	Bid Price	Offer Price	Yield Gross	City-line
Prosperity Life Assurance Ltd				
1 Sessions Hse Sq, Maidstone ME14 1XX			0622	690555
Indian Equity	163.0	172.0	-	42985
Accum Equity	249.0	263.0	-	43005
Accum Managed	262.6	276.5	-	43008
Accum Five Star	194.5	205.5	-	43011
Accum World	143.0	151.0	-	43013
Accum Emerg Mkts	231.0	244.0	-	43014
Pens Acc Equity	277.0	292.0	-	43025
Pens Acc Managed	346.5	365.5	-	43026
Pens Acc Emerg Mkts	275.5	290.5	-	43034
Pens Acc Deposit	234.0	248.5	-	43029
Pens Acc Five Star	218.5	230.5	-	43037
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA			0256	768888
UK Equity Acc	268.4	281.1	-	43411
UK Fixed Int Acc	221.4	233.6	-	43412
Intl Equities Acc	223.8	236.1	-	43413
UK Managed Acc	193.7	204.3	-	43414
Property Acc	221.2	233.4	-	43415
Money Acc	145.8	153.9	-	43416
Special Market Acc	187.9	198.3	-	43417
Japan Equity Acc	114.1	120.4	-	46760
North American Acc	144.0	152.0	-	43419
Pacific Acc	134.9	142.3	-	43420
European Acc	122.7	129.5	-	43424
Hong Kong Acc	115.0	121.4	-	43427
Int Fixed Interest Acc	73.8	77.9	-	46406
Int Managed Acc	69.6	73.4	-	46407
HP Managed II Acc	120.0	126.5	-	41926
HP Managed III Acc	130.7	137.8	-	45881
Balanced Growth Acc	115.7	122.0	-	-
Building Society	100.0		4.33	-
Total Investment Bond				
UK Equity Initial		178.1	-	43429
UK Fixed Int Initial		148.3	-	43430
Intl Equities Initial		148.7	-	43431
UK Managed Initial		129.7	-	43432
Property Initial		149.2	-	43433
Money Initial		98.2	-	43434
Special Market Initial		143.5	-	43435
Japan Equity Initial		87.2	-	46762
North American Initial		110.0	-	43437
Pacific Initial		102.9	-	43438
European Initial		108.7	-	43442
Hong Kong Initial		108.0	-	43445
Int Fixed Interest Init		70.3	-	46408
Int Managed Init		66.4	-	46409
HP Managed II Initial		118.2	-	41927
HP Managed III Init		127.8	-	45882
Balanced Growth Init		111.4	-	-
Smoothed Perf Init		109.2	-	-
Broker Funds				
High Performance	91.8	95.8	-	43448
Towerhill Mngd Fd Acc	50.5	53.2	-	43447
YRA Executive Fd	106.8	112.6	-	43449
IM Balanced	65.9	65.9	-	47182
H.F. Speculator Fd		129.7	-	43451
AAFS Int Man Fund		134.2	-	46551
Ambrose-Cree Inv Port		92.1	-	47914
MAM Growth		119.3	-	-
Sterling Low Risk Income		120.9	-	-
Stg Low Risk Inc Ser 1		99.5	-	-
Individual Pension Funds				
UK Equity Acc	298.3	312.6	-	43454
UK Fixed Interest Acc	293.8	310.0	-	43455
Intl Equities Acc	286.2	301.9	-	43456
UK Managed Acc	216.0	227.8	-	43457
Property Acc	204.9	216.2	-	43458
Money Acc	191.3	201.8	-	43459

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, St. Helier, Jersey 0534 74689						
Capital House International Growth Funds Ltd ◊						
Equities						
UK Equity	5½	£1.482	1.502	1.594	-	44816
North American	5½	$1.714	1.746	1.853	-	44811
Japanese	6½	$1.644	1.662	1.784	-	44812
Pacific Basin	5½	$3.142	3.188	3.395	-	44813
Continental European	5½	$2.439	2.458	2.609	-	44814
Gold	5½	$0.929	0.929	0.982	-	44815
Hong Kong		$-	-	-	-	-
Bonds						
Sterling Bond	5½	£1.919	1.919	2.035	6.43	44818
International Bond	5½	$2.218	2.218	2.352	4.93	44817
US Dollar Bond	5½	$1.669	1.669	1.769	4.32	44842
Currencies						
£ Sterling	0	£31.09	31.09	31.09	4.98	44818
US$	0	$20.99	20.99	20.99	2.00	44019
Japanese Yen	0	Y4001	4001	4001	2.71	44820
D Marks	0	DM70.01	70.01	70.01	7.37	44821
Ecu's	0	Ecu33.82	33.82	33.82	8.16	44824
Managed						
Int Portfolio	5½	$1.980	1.982	2.019	0.00	44825
Managed Currency	5½	$2.467	2.467	2.612	1.06	44826
Gartmore Fund Managers International Ltd						
PO Box 278, 45 La Motte St., Jersey 0534 27535						
Capital Strategy Fund Ltd (s)						
American Fd		$-	1.9820		-	45367
Canadian Fd		C$-	0.9792		-	45078
British Fund		£-	2.9840		1.25	45071
European Fund		DM-	8.0780		-	45075
Asia Pacific Fd		$-	3.0460		-	45088
Japan Fund		Y-	571.7000		-	45068
Australasian Fd		A$-	0.4114		2.00	45077
Global Resources		$-	0.7262		1.25	45080
Emerging Mkts Fd		$-	2.1260		0.50	45079
Intl Growth Fund		$-	3.4330		0.50	45070
Sterling Bond Fd		£-	1.1880		6.83	45072
ECU Bond Fund		Ecu-	0.9785		7.03	45076
Intl Bond Fund		$-	1.3250		4.94	45073
US$ Deposit Fd		$-	1.0030		2.00	45081
Sterling Deposit Fd		£-	1.0060		4.80	46000
French Franc Dep Fd		FFr-	10.1500		7.08	45085
Swiss Fr Dep		SFr-	5.0300		4.18	45084
DM Deposit Fd		DM-	5.0490		7.18	45082
Yen Deposit Fd		Y-	501.4000		2.89	45083
Aust Dlr Deposit Fd		A$-	1.0050		3.38	45086

	Bid Price	Offer Price	Yield Gross	City-line
Scimitar Worldwide Selection Fd Ltd				
Equity Class Funds				
American	$16.12	16.05	-	45778
Asian Smlr Mkts	$18.60	19.76	-	45779
European	$11.07	11.76	-	45780
Gold	$3.536	3.757	-	45781
Japanese	$30.32	32.23	-	45782
Pacific Basin	$22.72	24.18	-	45783
S'pore Indo Malaysian	$10.81	11.48	-	43786
Utd Kingdom	£10.56	11.21	-	45784
Worldwide	$16.83	17.88	-	45785
Worldwide Income	$10.80	11.47xd	-	43788
Worldwide Warrant	$5.887	6.253	-	43789
Worldwide Guaranteed	$11.28	12.01	-	47195
W'wide Guaranteed NAV	$11.28		-	47201
Managed Class Fund				
Worldwide	$10.21	10.85	-	43787
Bond Class Funds				
Ecu	Ecu9.283	9.798xd	8.27	45789
Sterling	£9.884	10.43xd	6.42	45788
US Dollar	$9.539	10.08xd	4.32	45788
Worldwide	$9.724	10.28xd	4.84	45790
Sarkingate Kemp-Gee Mngmt., Jersey				
SKG Capital Fund	£5.176	5.518	-	45791
SKG Income Fund	£0.812	0.864	6.77	45792
TSB Trust Funds (CI)				
TSB Jsy Equity Fd	45.8	48.2	1.77	45830
TSB G'sey Equity Fd	45.8	48.2	1.77	45831
TSB Island Pension	488.1	462.3	-	45832
TSB Gilt Fd (Jsy) Ltd	105.34	108.78xd	7.72	45835
Tyndall International (Jersey) Ltd				
Gilt Fd	121.8	128.0xd	7.61	45882
(Accum Shares)	752.5	790.2	7.61	45883
Managed Currency Stg	132	140	-	45884
International	409	429xd	0.28	45886
Warburg Asset Management Jersey Ltd				
Ch Island & Intl	£1.31	1.41xd	2.47	45929
Energy Intl	$122.81	130.49	-	45933
Mercury Bond Apr 21	$31.08	32.72	6.47	45934
Merc Money Mkt Stg	£45.32		-	45939
Mercury International Inv Tst Ltd				
Contl Europe Fd	£77.02	82.50	-	41043
Nth America Fd	£52.85	56.31	-	41045
Japan Fd	£48.29	51.62	-	41041
Pacific Fd	£65.34	69.98	-	41116
Reserve Fd	£53.38	53.83xd	-	41206

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

هكذا من الأصل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Awaiting US GDP

ALTHOUGH most of the price action in foreign exchange markets was in the peseta crosses last week, the main focus for dealers may now move back to the dollar, *writes James Blitz.*

At the start of the year, the markets were bullish for the US currency in the first half of 1993. That optimism has now all but withered away, with the dollar failing to break through the DM1.67 level against the D-Mark.

On Friday, the US currency fell to DM1.5770, a new low in the current cycle – and some analysts believe it is going lower still. Economic indicators in the next few days will decide the dollar's near-term fate.

UK clearing bank base lending rate
6 per cent
January 26, 1993

The most important indicator is the first quarter GDP figure, due out on Thursday. There is little doubt that the economic upswing in the US in the first three months of this year was more shallow than the one which took place in the last quarter of 1992.

But Mr Gerard Lyons of DKB International in London is more pessimistic about the figure than other economists: he thinks it will be around 2 per cent, against market estimates of 2.6 per cent.

The Conference Board's consumer confidence figures, due tomorrow, will also be keenly watched.

The market expects only a slight rise in confidence, of around 63.4 per cent, compared to last month's Conference Board figure of 62.6 per cent.

In Europe, there will be a strong focus on the peseta, although economists believe this is unlikely to have an effect on the structure of the ERM.

One factor which may help the peseta would be another cut in the Bundesbank's repo rate on Wednesday. The sharp decline in German call money in recent days, down to 7.82 per cent on Friday night, has made a repo rate fall inevitable.

£ IN NEW YORK

Apr.23	Close	Previous Close
£ Spot	1.5832-1.5842	1.5960 1.5970
1 month	0.36-0.35pm	0.37 0.36pm
3 months	1.13-1.11pm	1.11 1.09pm
12 months	4.28-4.20pm	4.24 4.17pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.23	Previous
8.30 am	80.7	79.9
9.00 am	80.8	80.1
10.00 am	80.8	80.1
11.00 am	80.8	80.0
Noon	80.8	80.4
1.00 pm	80.8	80.5
2.00 pm	80.9	80.6
3.00 pm	81.1	80.6
4.00 pm	81.2	80.7

CURRENCY MOVEMENTS

Apr 23	Bank of England Index	Morgan** Guaranty Changes %
Sterling	81.2	-29.32
U.S Dollar	63.4	-14.40
Canadian Dollar	94.6	-8.16
Austrian Schilling	114.6	+16.45
Belgian Franc	115.6	+1.54
Danish Krone	118.1	+12.14
D-Mark	124.9	+31.50
Swiss Franc	111.5	+19.56
Dutch Guilder	119.3	+20.78
French Franc	110.1	-6.44
Lira	80.8	-35.25
Yen	169.5	+111.60
Peseta	95.9	-26.14

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Apr.22

OTHER CURRENCIES

Apr 23	£	$
Argentina	1.5710 - 1.5725	0.9980 - 0.9990
Australia	2.1990 - 2.2010	1.4035 - 1.4045
Brazil	46329.0 - 46331.5	29434.0 - 29435.0
Finland	8.5785 - 8.6065	5.4525 - 5.4725
Greece	334.580 - 341.270	214.600 - 218.900
Hong Kong	12.1560 - 12.1725	7.7275 - 7.7285
Iran	2553.00 - 2558.00	1648.00 - 1650.00
Korea(Sth)	1231.85 - 1251.70	792.90 - 799.10
Kuwait	0.47200 - 0.47300	0.30025 - 0.30075
Luxembourg	51.30 - 51.40	32.55 - 32.65
Malaysia	4.0360 - 4.0480	2.5695 - 2.5705
Mexico	4.8675 - 4.8705	3.0925 - 3.0945
N.Zealand	2.9055 - 2.9095	1.8460 - 1.8485
Saudi Ar	5.8960 - 5.9095	3.7495 - 3.7505
Singapore	2.5395 - 2.5470	1.6175 - 1.6185
S.Af (Cm)	4.9580 - 4.9705	3.1540 - 3.1570
S.Af (Fn)	7.3270 - 7.3425	4.6550 - 4.6650
Taiwan	40.85 - 41.00	25.95 - 26.05
U.A.E.	5.7730 - 5.7860	3.6715 - 3.6735

CURRENCY RATES

Apr 23	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.915966	0.783610
U.S Dollar	3.00	1.41700	1.22249
Canadian $	5.37	1.78811	1.54418
Austrian Sch	7.00	15.9526	13.7377
Belgian Franc	7.00	46.6408	40.1995
Danish Krone	9.25	8.69117	7.49534
D-Mark	7.25	2.26833	1.95258
Dutch Guilder	7.00	2.54706	2.19427
French Franc	10	7.65534	6.59198
Italian Lira	11.00	2165.49	1832.21
Japanese Yen	2.50	158.137	135.531
Norway Krone	-	9.60594	8.26609
Spanish Peseta	-	164.788	144.491
Swedish Krona	11.50	10.5299	9.00138
Swiss Franc	5.00	2.06528	1.78703
Greek Drach	19	N/A	265.708
Irish Punt	-	N/A	0.808335

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculation. * All SDR rates are for Apr.22

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5540 - 1.5805	1.5745 - 1.5755	0.37-0.35cpm	2.74	1.12-1.09pm	2.81
Ireland†	1.5245 - 1.5455	1.6415 - 1.6425	0.70-0.67cpm	5.33	1.92-1.85pm	4.89
Canada	1.2600 - 1.2665	1.2605 - 1.2615	0.15-0.20cdis	-1.67	0.58-0.64dis	-1.93
Netherlands	1.7750 - 1.7975	1.7795 - 1.7805	0.66-0.69cdis	-4.55	1.90-1.95dis	-4.34
Belgium	32.60 - 32.90	32.55 - 32.65	12.00-14.00cdis	-4.79	36.00-40.00dis	-4.66
Denmark	6.0500 - 6.1175	6.0825 - 6.0875	3.40-4.40oredis	-7.69	10.20-11.30dis	-7.07
Germany	1.5776 - 1.6000	1.5835 - 1.5845	0.64-0.66pfdis	-4.92	1.85-1.88dis	-4.72
Portugal	146.80 - 148.80	147.00 - 147.10	195-205cdis	-16.32	510-550dis	-14.42
Spain	115.75 - 118.25	116.55 - 116.65	117-132cdis	-12.81	320-350dis	-11.49
Italy	1481.00 - 1514.50	1490.25 - 1490.75	9.30 -10.30liredis	-7.89	28.50-30.50dis	-7.92
Norway	6.6750 - 6.7700	6.6950 - 6.7000	2.75-3.25oredis	-5.38	8.00-9.00dis	-5.08
France	5.3325 - 5.3975	5.3475 - 5.3525	2.45-2.85cdis	-5.72	6.90-7.25dis	-5.29
Sweden	7.2425 - 7.3700	7.2725 - 7.2775	3.80-4.40oredis	-6.76	10.75-11.75dis	-6.19
Japan	110.20 - 111.00	110.55 - 110.65	par-0.01ydis	-0.05	par-0.01dis	-0.02
Austria	11.1550 - 11.2500	11.1575 - 11.1625	4.10-4.40grodis	-4.57	11.70-12.60dis	-4.35
Switzerland	1.4245 - 1.4490	1.4300 - 1.4310	0.24-0.27cdis	-2.14	0.67-0.71dis	-1.93
Ecu†	1.2205 - 1.2355	1.2325 - 1.2335	0.58-0.57cpm	5.60	1.66-1.63pm	5.34

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Apr.23	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.575	2.495	174.3	8.428	2.253	2.803	2348	1.987	51.35	183.8	1.278
$	0.635	1	1.584	110.7	5.351	1.430	1.780	1491	1.262	32.60	116.7	0.811
DM	0.401	0.631	1	69.86	3.378	0.903	1.123	941.1	0.796	20.58	73.67	0.512
YEN	5.737	9.036	14.31	1000.	48.35	12.93	16.08	13471	11.40	294.6	1055	7.332
F Fr.	1.187	1.869	2.960	206.8	10.	2.673	3.326	2786	2.358	60.93	218.1	1.516
S Fr.	0.444	0.699	1.107	77.36	3.741	1	1.244	1042	0.882	22.79	81.58	0.567
N Fl.	0.357	0.562	0.890	62.18	3.007	0.804	1	837.7	0.709	18.32	65.57	0.456
Lira	0.426	0.671	1.063	74.23	3.589	0.960	1.194	1000.	0.846	21.87	78.29	0.544
C $	0.503	0.793	1.256	87.72	4.242	1.134	1.411	1182	1	25.84	92.50	0.643
B Fr.	1.947	3.067	4.859	339.4	16.41	4.388	5.459	4573	3.870	100.	357.9	2.489
Pta	0.544	0.857	1.357	94.83	4.585	1.226	1.525	1277	1.081	27.94	100.	0.695
Ecu	0.782	1.232	1.952	136.4	6.595	1.763	2.193	1837	1.555	40.18	143.8	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

Apr 23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	6 1/8 - 5 7/8	6 1/16 - 5 15/16	6 - 5 7/8	6 - 5 31/32	6 1/8 - 6	6 1/8 - 6 1/4
US Dollar	2 15/16 - 2 13/16	3 1/16 - 2 15/16	3 1/8 - 3	3 3/16 - 3 1/16	3 5/16 - 3 3/16	3 1/2 - 3 3/8
Can. Dollar	4 3/8 - 4 1/8	4 3/8 - 4 5/8	4 13/16 - 4 11/16	5 3/16 - 5 1/16	5 5/8 - 6 1/8	6 1/8 - 5 7/8
Dutch Guilder	7 7/8 - 7 3/4	7 3/4 - 7 5/8	7 13/16 - 7 11/16	7 1/2 - 7 3/8	7 1/8 - 7	6 15/16 - 6 13/16
Swiss Franc	5 1/4 - 4 7/8	5 1/4 - 5 1/8	6 1/4 - 5 1/8	5 1/16 - 4 15/16	4 13/16 - 4 11/16	4 5/8 - 4 1/2
D-Mark	7 15/16 - 7 13/16	8 - 7 7/8	8 - 7 7/8	7 13/16 - 7 11/16	7 1/2 - 7 3/8	6 7/8 - 6 3/4
French Franc	9 1/4 - 9	9 1/8 - 9	9 - 8 7/8	8 1/2 - 8 3/8	8 1/16 - 7 15/16	7 3/4 - 7 5/8
Italian Lira	12 1/2 - 10 1/2	11 1/8 - 10 3/4	11 1/8 - 10 3/4	11 1/8 - 10 3/4	11 1/8 - 10 3/4	11 1/8 - 10 3/4
Belgian Franc	7 15/16 - 7 13/16	7 15/16 - 7 13/16	7 13/16 - 7 11/16	7 13/16 - 7 11/16	7 13/16 - 7 11/16	7 1/4 - 7 1/8
Yen	3 5/16 - 3 3/16	3 3/8 - 3 1/4	3 1/4 - 3 1/8	3 1/4 - 3 1/8	3 3/8 - 3 1/4	3 3/8 - 3 1/4
Danish Krone	10 1/2 - 10	10 1/2 - 10	11 - 10 1/2	10 1/2 - 10	10 - 9 1/2	9 1/2 - 9
Asian $Sing	3 1/4 - 2 3/4	3 1/4 - 2 3/4	3 1/2 - 2 1/2	3 1/2 - 2 1/2	3 1/2 - 2 1/2	3 3/4 - 2 3/4
Spanish Peseta	14 1/2 - 14	14 1/2 - 14	16 1/4 - 15 3/4	14 1/4 - 13 3/4	13 1/4 - 12 3/4	12 3/4 - 12 1/4
Portuguese Esc.	17 3/4 - 17 1/2	19 - 18	19 - 18 1/4	16 1/2 - 15 1/2	15 5/8 - 15	15 - 14

Long term Eurodollars: two years 4-3 7/8 per cent; three years 4 5/8-4 1/2 per cent; four years 5-4 7/8 per cent; five years 5 3/8-5 1/4 per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.23) 3 months US dollars		6 months US Dollars	
bid 3 1/16	offer 3 3/16	bid 3 3/16	offer 3 5/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6	One month	2.88	Three year	4.15
Broker loan rate	5	Two month	2.81	Five year	5.06
Fed.funds	2 13/16	Three month	2.90	Seven year	5.50
Fed.funds at intervention	-	Six month	3.03	10-year	5.89
		One year	3.17	30-year	6.79
		Two year	3.74		

Apr.23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.50-7.70	7.90-8.00	7.85-7.95	7.75-7.90	7.35-7.50	8.50
Paris	8 11/16-9 1/16	9 1/8-9 3/8	-	8 11/16-8 13/16	-	8.75
Zurich	4 3/4-5	6 1/4-5 1/4	-	4 7/8-5	-	-
Amsterdam	7.87-7.90	7.85-7.90	-	7.52-7.57	-	-
Tokyo	3 3/16-3 5/16	3 3/16-3 1/4	-	3 1/4-3 3/8	-	-
Milan	11 3/8-11 5/8	11 1/16-11 1/8	-	11 1/16-11 1/4	-	-
Brussels	7 13/16-7 15/16	7 3/4-7 7/8	-	7 3/4-7 7/8	-	-
Dublin	8 5/8-8 3/4	8 3/8-8 5/8	8 1/4-8 1/2	8 1/4-8 3/8	8-8 1/8	-

LONDON MONEY RATES

Apr 23	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	8	6 1/8	6	6 1/16	6 3/16	5 7/8
Interbank Bid	5 1/2	5 7/8	5 7/8	5 15/16	6 1/16	6 1/4
Sterling CDs	-	-	5 31/32	5 15/16	6	6 3/8
Local Authority Deps.	6	5 7/8	5 7/8	5 15/16	6 1/16	6 1/4
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6 1/4	5 27/32	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5 15/16	6 1/16	6 1/8	6 1/4
Treasury Bills (Buy)	-	-	5 13/16	5 5/8	5 1/2	-

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Jun	111-23	112-22	111-22	112-11
Sep	110-14	111-13	110-14	111-02
Dec	109-07	110-03	109-07	109-28
Mar	108-01	108-11	108-01	108-20
Jun	106-27	107-22	106-27	107-14
Sep	105-24	106-01	105-24	106-11
Dec	104-24	-	-	105-11
Mar	103-27	-	-	104-14
Jun	103-01	-	-	103-20
Sep	102-10	-	-	102-29

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev.
Jun	97.13	97.15	91.12	97.13
Sep	97.04	97.07	97.03	97.04
Dec	96.85	97.07	97.03	96.88
Mar	96.75	-	-	96.75

BRITISH POUND (IMM) $s per £

	Close	High	Low	Prev.
Jun	1.5696	1.5746	1.5500	1.5470
Sep	1.5586	1.5640	1.5416	1.5364
Dec	1.5476	1.5540	1.5480	1.5262

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Jun	0.6992	0.6999	0.6870	0.6862
Sep	0.6968	0.6975	0.6870	0.6839
Dec	0.6955	0.6960	0.6870	0.6825

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Jun	0.9051	0.9103	0.8965	0.9094
Sep	0.9051	0.9055	0.9000	0.9094
Dec	0.9056	0.9046	0.9025	0.9099
Mar	0.9063	-	-	0.9106

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Close	High	Low	Prev.
Jun	0.6279	0.6295	0.6211	0.6201
Sep	0.6216	0.6233	0.6160	0.6139
Dec	0.6167	0.6172	0.6110	0.6092
Mar	0.6131	-	-	0.6057

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev.
Jun	96.79	96.81	96.76	96.78
Sep	96.68	96.72	96.67	96.68
Dec	96.34	96.40	96.33	96.34
Mar	96.24	96.30	96.23	96.24
Jun	95.93	96.00	95.92	95.94
Sep	95.63	95.70	95.62	95.64
Dec	95.20	95.27	95.19	95.21
Mar	95.08	95.13	95.05	95.07

STANDARD & POORS 500 INDEX $500 times index

	Close	High	Low	Prev.
Jun	437.00	438.90	436.10	438.55
Sep	437.50	439.35	436.70	439.10
Dec	438.10	439.80	437.10	439.70
Mar	439.00	441.00	438.10	440.60

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
1.475	9.59	9.62	9.81	10.05	0.07	0.44	1.02	2.06
1.500	7.30	7.52	7.91	8.33	0.21	0.83	1.60	2.75
1.525	5.14	6.70	6.22	6.84	0.54	1.43	2.37	3.68
1.550	3.28	4.10	4.74	5.48	1.17	2.29	3.32	4.79
1.575	1.89	2.79	3.51	4.34	2.22	3.42	4.57	6.11
1.600	0.96	1.88	2.54	3.38	3.76	4.95	6.08	7.57
1.625	0.44	1.19	1.83	2.58	5.71	6.75	7.79	9.26

Previous day's open int: Calls 604,938 Puts 505,326 (All currencies)
Previous day's volume: Calls 23,087 Puts 54,647 (All currencies)

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs.	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai.	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

STOCK INDICES

	Apr 23	Apr 22	Apr 21	Apr 20
FT-SE 100	2843.6	2881.1	2869.6	2856.1
FT-SE Mid 250	3136.2	3135.7	3115.9	3097.5
FT-SE-A 350	1414.9	1429.3	1422.9	1415.8
FT-A All-Share	1399.84	1412.88	1406.33	1399.20
FT-SE Eurotrack 100	1156.50	1164.35	1157.71	1158.12
FT-SE Eurotrack 200	1223.86	1234.50	1224.52	1220.73
FT Ordinary	2240.4	2262.2	2243.5	2224.9
FT Government Secs.	95.72	95.58	95.99	95.89
FT Fixed Interest	111.62	111.80	111.80	111.80
FT Gold Mines	121.4	119.9	121.2	121.5

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

AMERICANS

	Notes	Price £	W'k% ch'ge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		16½xd	-.4	68c	FeMyAuNv	13.4	1509
Allegheny & W.	♥	901p	-3.8	30c	-	-	-
Amdahl		372p	-6.1	10c	NvFeJeAg	31.1	-
Amer Cyanamid		32½	0.8	$1.65	MrJeSeDe	4.3	-
Amer Express		16xd	-3.2	$1.00	FeMyAuNv	30.3	1594
Amer T & T		36⅞xd	-5.8	$1.32	FeMyAuNv	28.12	1597
Ameritech		49	-2.6	$3.68	FeMyAuNv	28.3	-
BankAmerica		31⅞xd	-9.4	$1.40	MrJeSeDe	16.2	1744
Bankers NY		45⅞xd	-7.5	$3.12	ApJyOcJa	24.12	1745
Bell Atlantic		33½	-4.3	$2.68	FeMyAuNv	4.7	-
BellSouth		34¼	-3.6	$2.76	FeMyAuNv	5.4	-
Bethlehem Steel	♥	12¼xd	10.2	-	MrJeSeDe	8.2	1821
Bowater		1439pxd	-.5	80c	OcJaApJy	8.3	1884
CPC		28½xd	-3.0	$1.28	JaApJyOc	28.3	2263
Cadiz Land Inc	♥	61p	-12.9	-	†	-	-
California Engy		1309p	1.5	-	-	-	-
Chase Manhattan		28¾xd	-12.5	$1.20	FeMyAuNv	28.1	2109
Chrysler		24½xd	-10.7	60c	ApJyOcJa	10.3	2135
Citicorp		18xd	-7.4	-	-	23.10	2141
Colgate-Palm		38¾xd	-4.3	$1.24	FeMyAuNv	22.7	2164
Cont'l Bank		1550p	-14.0	60c	DeMrJeSe	31.5	-
Dana		31⅞xd	0.6	$1.60	MrJeSeDe	24.2	2306
Data General		583p	-16.8	-	-	-	-
Decora Inds.	♥	125p	-.8	-	†	-	-
Dun & Brad		37⅝	-1.5	$2.32	MrJeSeDe	13.2	-
Eaton		56⅝	-.6	$2.20	FeMyAuNv	2.2	2410
Echlin		15½xd	-2.3	70c	JaApJyOc	6.4	3046
FPL		24⅛xd	-1.9	$2.44	MrJeSeDe	25.8	-
Ford Motor		33⅞	-5.6	$1.60	MrJeSeDe	26.1	2615
Gen Elect		68⅛xd	-5.0	$2.52	JaApJyOc	4.3	2676
General Host	♥	577p	-4.0	34c	†	13.12	-
Gillette		31⅞xd	-9.3	72c	MrJeSeDe	27.1	2695
Hasbro		20⅝	-	24c	FeApJyNv	1.8	-
Honeywell		21⅞xd	-.1	89c	MrJeSeDe	23.2	2919
Houston Inds		29¾	-4.0	$3.00	MrJeSeDe	16.11	-
Ingersoll-Rand		21⅛xd	4.3	70c	MrJeSeDe	11.2	2979
Lockheed		38⅝	-7.5	$2.12	MrJeSeDe	15.2	-
Lowe's	h	1810p	-11.8	28c	JaApJyOc	11.7	-
Merrill Lynch		45⅞xd	-7.6	$1.20	FeMyAuNv	30.4	3351

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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INVESTMENT TRUSTS - Cont.

	Notes	Price	Wk % ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Scottish Inv		193½	–	4.82	Feb Jul	482.1	4.1	3953
Warrants		44	2.3	–	–	22.4	–	5003
Scot Mortgage		168½	0.8	3.9	Jul Dec	879.9	2.11	5004
Scot National Inc		49¼	–1.6	7.5	ApJyOcJa	143.3	15.2	3961
Cap		25	–	–	–	16.0	–	3960
Stepped Pf		152¾	–	6.06	Sep Mar	48.8	15.2	3962
Zero Div Pf		207½	0.2	–	–	132.5	–	3964
Warrants		3½	–	–	–	0.45	–	3983
Scot Value		79½	–	1.8	Jan Oct	38.1	7.9	2706
Sec Alliance		1427	–.2	38.5	Apr Oct	274.8	1.3	3974
Second Consld		105	1.0	–	–	35.8	–	1878
Second Market		325xd	0.3	2.0	May	32.2	19.4	3976
Sec Tst Scot		81	–	3.25	Jul Dec	259.4	2.11	3977
Select Assets		123	–	1.2	Apr	35.5	1.3	5085
Eq Ind Ser1		131	–	4.25	JaApJeOc	23.1	8.4	4905
Eq Ind Ser2		131	–	4.25	JaApJeOc	27.6	8.4	5085
SHIRESCOT		121	–	6.25	DeMrJeSe	15.4	1.3	1335
Shires		255	–	18.4	ApJyOcJa	64.3	15.3	4014
11pc Cv Ln '03/04		£128½	2.0	Q11%	Sep Mar	29.0	1.3	4012
Siam Select		135	1.5	0.25	Sep	20.3	24.8	1387
Warrants		38	2.7	–	–	1.14	–	1379
Smaller Cos		107	0.9	2.6	Apr Oct	18.1	1.3	3698
Warrants		27	–	–	–	0.81	–	3699
Sphere Inc		20xd	1.3	3.1	MyAuNvFe	24.3	19.4	4276
Zero Div Pf		85¼	1.2	–	–	80.4	–	5227
Summit		55	10.0	1.4	May	3.94	15.3	4132
TR City of Lon		139½xd	1.5	4.78	FeMyAuNv	258.1	19.4	4271
TR Euro Growth		101	–1.0	1.35	Oct	36.7	7.9	4880
Ptg Sub		55	–	1.35	Oct	2.00	7.9	–
TR Far East Inc		131	–	4.5	ApJyOcJa	80.9	15.2	4269
Warrants		33	3.1	–	–	3.05	–	–
TR High Inc		111	–.9	8.0	ApJyOcJa	25.6	29.3	2887
Sub		29	–	1.8	Jul	0.84	13.7	2936
TR Pacific		128	–.8	0.35	Apr	85.8	15.3	4581
TR Prop		20½	–2.4	1.45	Jan Jul	58.3	30.11	4282
TR Smaller		158½	–.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

Barings 8pc Cm 2nd Pf; 9¾pc Non-Cum Pf; Close Bros; Hambros; 7½pc Cv Pf; Joseph (L); Kleinwort Benson; Rea Bros; Schroders; N/V; Singer & Fried; Warburg (SG); 6pc Cv Pf; Wintrust [illegible]

METALS & METAL FORMING

ASW; Apollo Metals; Ash & Lacy; Barrett (H); Billam (J); Brit Steel; CI; Castings; Chamber & Hill; Cohen (A); Cook (Wm); Cooper (F); Downiebrae; Ferraris; Firth (GM) [illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

OIL & GAS

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Notes	Price	Wk % ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Europa Minls		16	–	–	–	–	–	3427
Glencar Expl IE		7	–	–	–	–	–	–
Greenwich Res		13	–	–	–	–	–	2773
Hemlo Gold C$		84⅝	–2.6	Q20c	–	Dec Jun	8.11	–
Iwernia West IE		50	–	–	–	–	–	–
Kenmare		13	57.6	–	–	–	–	1453
Malinga Res.		18½	32.1	–	–	–	–	–
Navan Res IE		37	–	–	–	–	–	1185
5pc Ln Notes		28	–6.7	–	–	–	–	–
Oryx Gold		64	0.8	–	–	–	–	3888
‡‡Ovoca Res IE		3½	–	–	–	–	–	1470
RTZ		649	0.2	19.5	1.1	Dec Jul	18.3	3880
Vizcaya		5¾#	4.5	–	–	–	–	4193

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses *but including estimated extent of offsettable ACT. Market Capitalisations are* published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † *Interim since increased or resumed*
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # *Price at time of suspension*
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend *or forecast.*
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. *g Assumed dividend.* h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on *prospectus or other* official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: David Lloyd (Htls & Leis) and Ovoca (Mines). Deletions: IBM (Americans), NA Amer Tire (Canadians), Hoskyns (Electronics), Clifford *Ord & A (Food Manuf), JF Asia Select, JF Indonesia* Ord & Wts (Inv Trusts), Midlands Radio (Media), Rosehaugh (Prop) and Hawthorn Leslie (Tele Networks).

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4 pm close April 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13¼	11½	AAR Corp	0.48	3.7	24	320	u13¼	12¾	13	+⅛
27¼	20	A L Labs A	0.18	0.8	34	47	21¼	21	21⅛	+⅛
61⅜	54⅝	AMP Inc	1.60	2.7	21	2794	60⅜	60	60⅛	-⅛
77⅝	59½	AMR			10	7628	70⅛	68¾	69⅜	-¾
2	1¾	ARX			11	70	u2	1⅞	1⅞	
42½	29⅞	ASA	2.00	4.6	28	2882	u43⅛	42¼	43⅛	+2⅛
30¾	22⅝	Abbott Lab	0.68	2.6	16	9606	26½	25½	25¾	
12⅝	10¼	Abitibi Pr	0.50	4.1	4	z100	12⅛	12⅛	12⅛	
11½	10¾	ACM Gvt In	0.96	8.4		238	u11½	11⅜	11⅜	-⅛
9¾	9⅛	ACM GvOpp	0.79	8.3		239	9½	9⅜	9½	
9⅝	8¾	ACM Gvt Sp	0.79	8.2		217	u9⅝	9½	9⅝	
11⅜	10½	ACM Gvt Se x	0.96	8.5		343	11¼	11⅛	11¼	+⅛
10⅞	9⅝	ACM Man	1.08	9.9		240	u10⅞	10¾	10⅞	+⅛
9⅛	8⅝	ACM Managd	0.72	8.0		72	9⅛	9	9	-⅛
9	7¾	Acme Cleve	0.40	4.4	19	832	u9⅛	8⅝	9	+½
9¼	6½	Acme Elect			800	79	8⅞	8	8	-⅞
16	12⅛	Acuson			12	797	14	13⅝	13⅞	-¼
22¼	19⅝	Adams Expr	0.48	2.3	1	80	21¼	20⅞	21	+⅛
63	45½	Ad Micro	3.00	4.8		1911	u66	62	62	-½
31⅛	17⅝	Ad Micro P	3.00	9.8	1328	199	u32¾	30⅜	30½	-⅝
7¾	5½	Advest Grp	0.16	2.4	13	278	6⅞	6½	6⅝	-⅛
49⅜	41⅛	Aegon ADR	1.35	2.9	8	14	47⅛	47⅛	47⅛	+¼
53¾	43¾	Aetna Lf	2.76	5.3	1040	1816	52	51¾	52	
14½	11½	AH A	0.26	2.1	28	395	12½	12⅛	12⅜	-⅛
39¼	33	Aflac	0.44	1.2	17	470	38⅝	38	38⅛	-⅝
22⅛	17¼	Ahmanson	0.88	4.8	15	1406	18¼	17⅞	17⅞	-⅜
7¾	4⅝	Aileen Inc			18	119	5½	5⅛	5⅛	-⅜
48½	40⅞	Air Pr Chm	0.86	1.9	17	1691	44⅝	44⅛	44⅛	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

4 pm close April 23

NYSE COMPOSITE PRICES

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close April 23

[illegible]

AMEX COMPOSITE PRICES

4 pm close April 23

[illegible]

MONDAY INTERVIEW

A star of the small screen

Howard Stringer, president of CBS Broadcast Group, talks to **Raymond Snoddy**

Howard Stringer's office in Black Rock, the New York headquarters of CBS, has no shortage of the memorabilia you might expect to find surrounding the president of a US television network. There is a display of Emmy awards and a weighty bronze statue of a bronco rider, a gift from Burt Reynolds, star of the successful CBS sitcom Evening Shade.

But, as the Coronation mugs and Welsh national flag on his desk suggest, Stringer hardly fits the stereotype of a top American media executive. Born in Cardiff and educated at Oxford, he served with the US army in Vietnam before rising through the ranks of CBS.

More recently, the Welshman has proved himself American television's most astute arbiter of taste, taking CBS's audience ratings from third to first place in the 1991-92 season – the first time any network has made such a jump in a single year. Its ratings supremacy was confirmed last week, with CBS completing the 1992-93 prime-time season with the highest overall ratings, while increasing its number of nights with top ratings from two to four.

"Two years ago NBC said that in two years there would be only two networks and that CBS would be the one that would go away," says Stringer with an understandable sense of satisfaction. It is now NBC that is mired in third place.

As president of the CBS Broadcast Group, Stringer is in charge of all the company's broadcasting operations, a $3.5bn-a-year business which includes the CBS network as well as wholly owned television and radio stations.

But although he is the boss of a leading US corporation Stringer is just as likely to be wooing the stars of rival networks as he is to be studying balance sheets. In January, after a long courtship, the CBS president lured away NBC's David Letterman, the popular late-night chat show host, in a deal believed to be worth more than $40m.

Programming victories such as this are starting to translate into profits. Last year CBS had pre-tax profits of $227m with only $14m coming from the network, $170m from CBS television stations and $21m from radio. This year Ms Jessica Reif, media analyst at Oppenheim, the stockbrokers, is forecasting group pre-tax profits of $388.7m of which $170m will come from the network. This is despite the disappointing ratings for the network's sports programming – an area in which CBS has been criticised for overspending.

The genial Stringer, 51, has risen to the top at a sedate pace. At 30, when he was a CBS television researcher, he was given the opportunity to produce programmes, and the result was four prize-winning news documentaries.

His next big challenge was in 1981 when he was became producer of the CBS Evening News, the network's main evening news programme, which had slipped into third place, behind NBC and ABC. Within two years he had taken the programme to number one, partly by resisting the trend towards short news stories. It has since fallen back into second place.

Stringer rose through the CBS ranks during the 1980s, changing jobs every two years as those above him – many brought in from outside the organisation – were fired.

"I had relationships and a sense of loyalty to the organisation that kept me from being fired," he says, although he concedes he came close to being sacked when CBS was acquired by Mr Larry Tisch's Loews Corporation in 1986.

It was a time of rapid change and Stringer was not only one of the old guard but as executive vice-president of CBS News he was in charge of one of the big spending departments. When he accompanied Tisch on a train journey from New York to Washington he saw it as a make-or-break occasion. Tisch promptly fell asleep, which could have cost Stringer his one chance to get to know the new CBS owner. But Tisch woke up in time to talk, found he liked his employee and made him president of the news operation.

"Then I had to preside over the largest lay-offs in our history," Stringer laments. "The company was in third place, the network was in third place and news division was losing $50m-$60m a year."

In response, he came up with new programme ideas which, together with spending cuts, started to turn things round.

Stringer was happy as head of the news operation. But in 1988, at the annual convention of CBS's affiliates – stations which take network programming – he walked into the centre of a bitter attack on network executives. The affiliates were in open rebellion over CBS's dismal ratings.

"For some reason I was the only one who decided to speak. I took on everything and everyone," recalls Stringer. Two months later he was head of all of CBS with a brief to take the network out of bottom position. The challenge was not only to increase ratings but do it while cutting costs. In his first year, he cut $250m from the budget and had to push ahead with another round of lay-offs.

How Stringer came to the CBS network in the first place is as remarkable as how he came to run it. Born in Cardiff, he won an assisted place at Oundle, the English public school, and went on to Merton College, Oxford, to read history.

He was drawn to America by images of President Kennedy and his "new frontier" and a belief that England by comparison was a stuffy place. But soon after persuading CBS to give him a clerk's job logging viewers comments, he was drafted into the army.

"For three weeks I had a dilemma. Do I join the army? Do I flee the draft? It was just stubbornness... I couldn't get on that plane to get out of the country," says Stringer, who returned from two years in Vietnam as a sergeant with an army commendation medal. The experience, he says, has given him a certain perspective on the corporate hand-to-hand combat of network television.

He has pursued a dual strategy. As CBS president, his first aim was to encourage stability and collaboration after the years of turmoil. He made certain all eight CBS divisions worked closely with one another, and that the corporate headquarters in New York and the entertainment headquarters in Los Angeles had a strong, open relationship. He also installed good communicators in senior positions. "Whatever you could do in the 1980s, there is no place for autocrats in the 1990s," Stringer says.

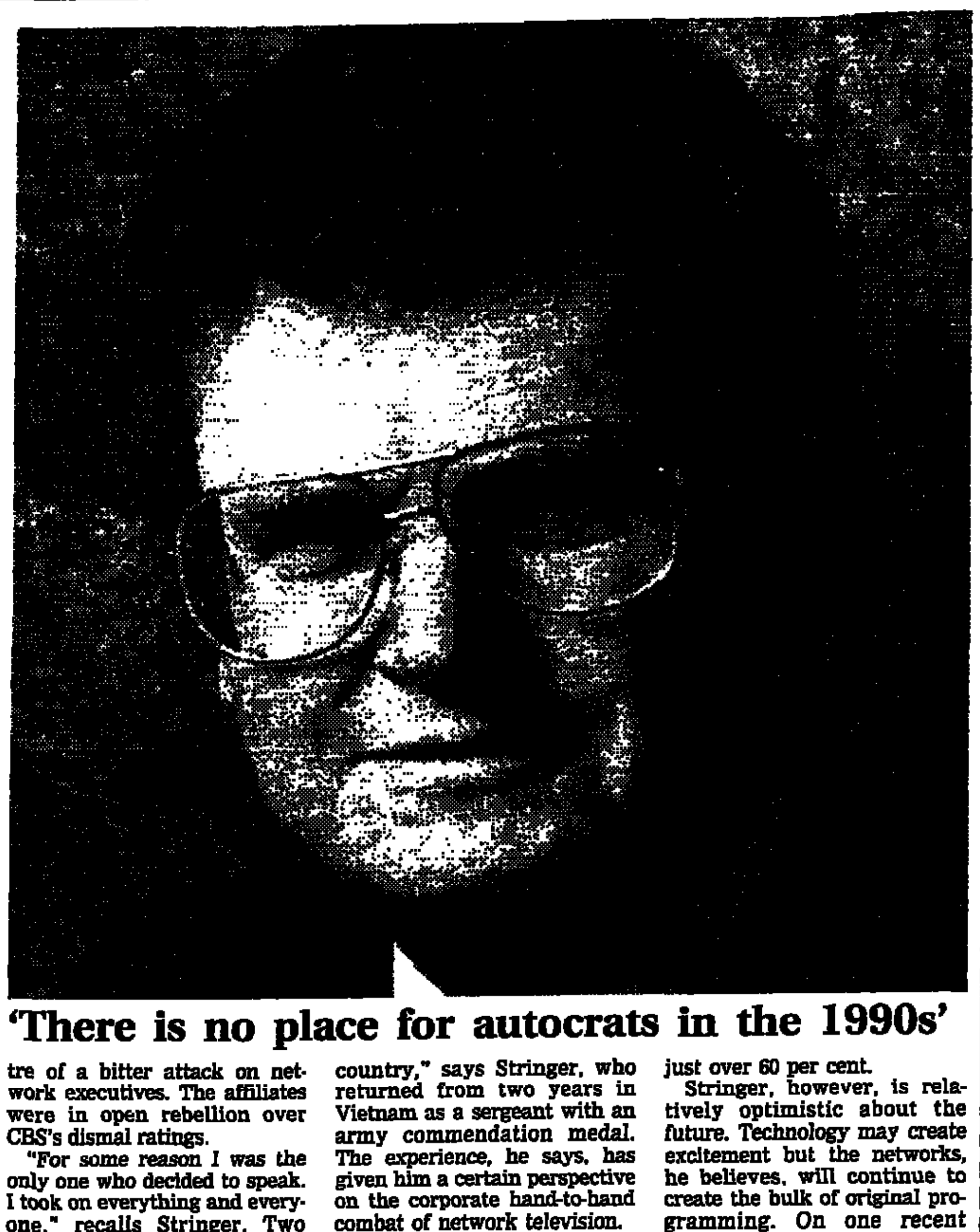
In a more stable atmosphere he set about rebuilding his network's performance by concentrating on winning individual programme slots one at a time. On Monday nights, he brought in a hit programme called Murphy Brown, a sharp-edged comedy starring Candice Bergen, and used it as a lead-in to promote the rest of the schedule. On Tuesday nights he began showing popular films aimed at a younger audience.

"It's really a question of consistently slamming home building blocks over four years and when something doesn't work ditching it fast," he explains.

Yet the battle for ratings among the four American networks – CBS, ABC, NBC and Rupert Murdoch's Fox Television – is only one part of the challenge facing Stringer and his counterparts in broadcast television. The proliferation of rival cable and satellite channels – there are expected to be as many as 500 within the next few years – threatens to erode further the networks' audience share, which has declined by a third in the past 15 years to just over 60 per cent.

Stringer, however, is relatively optimistic about the future. Technology may create excitement but the networks, he believes, will continue to create the bulk of original programming. On one recent Thursday evening between 9pm and 10pm, Stringer notes, the four networks got 90 per cent of the available audience. The total network share of viewing, he says, increased marginally last year from 62 per cent to 63 per cent and he believes the 60 per cent line can be held.

Stringer has signed up for another four years at CBS at more than $1m a year, but after that he may return to the UK. Last year he was sounded out for the chief executive's job at ITV but he was not interested. If he was offered the director-general's job at the BBC, it might be a different matter. "I wouldn't rule it out. But by then I'll be too old and probably seen as too American."



'There is no place for autocrats in the 1990s'

PERSONAL FILE

- 1942 Born in Cardiff; educated at Merton College, Oxford.
- 1965-67 Drafted into US army; served in Vietnam.
- 1967-76 Researcher and producer, CBS News.
- 1976-81 Executive producer, CBS Reports.
- 1981-84 Executive producer, CBS Evening News.
- 1984-86 Executive vice-president, CBS News.
- 1986-88 President, CBS News.
- 1988 President, CBS Broadcast Group.

A dash of real Clintonomics

MICHAEL PROWSE on AMERICA

In the first 100 days of Mr Bill Clinton's presidency the nation has heard little of the "people-based" economics that figured so prominently in campaign speeches. You will recall the argument. In tomorrow's competitive global economy everything will be mobile except labour. The relative performance of nations will thus depend mainly on the quality of their workforces.

President Clinton did talk about investment in people when he unveiled his economic plan in February, but the ensuing debate focused mainly on the merits (or otherwise) of his deficit-cutting proposals. Attention then switched to the short-term fiscal stimulus, finally defeated last week by Senate Republicans. The social issue monopolising everybody's attention has been healthcare. Mrs Hillary Rodham Clinton has a 500-strong army of technicians working like slaves to produce a health plan sometime next month; hardly anybody is steamed up about vocational training or science teaching.

This crucial element of Clintonomics has been delegated to Messrs Richard Riley and Robert Reich, respectively education and labour secretaries. Stiff and somewhat inarticulate in public, Mr Riley hardly conveys a dynamic image. But the tenacity with which he pursued educational reforms while governor of South Carolina has apparently earned Mr Clinton's lasting respect. Mr Reich, one of the original FOBs (Friends of Bill) and former professor at Harvard's Kennedy School of Government, does have the capacity to sell new ideas. But whether either man will actually have much impact remains uncertain.

In a newspaper column a couple of years ago, Mr Reich attacked fellow Democrats for proposing only "tiny, symbolic shifts" in Republican spending priorities. Preparing the workforce for the 21st century, he claimed, was a mammoth task requiring an additional public investment of $200bn a year. It could be carried through only by "the political equivalent of a warrior like General Norman Schwarzkopf," the Gulf war hero. Well, General Reich is now in command, but unfortunately his president is proposing only a tiny, symbolic increase in spending – about $10bn a year for all educational and training reforms.

This is fortunate because correcting flaws in US education and training mainly requires a change of attitudes and behaviour rather than masses of extra cash. In real terms per capita spending on schools has risen more than a third in the past decade. US companies spend about as much on training as their counterparts abroad. So what do Riley and Reich hope to achieve with the limited sums?

They set out their philosophy last week in a joint press conference. For a British journalist there was a strong sense of *déjà vu*. In effect, the administration is adopting large chunks of the Thatcher reforms of the late 1980s. Building on the work of the Bush administration, Mr Riley is creating a national council to oversee the introduction of new curriculum standards and assessment techniques. As in the UK, the aim is to establish greater central control over what is taught in schools and to devise tests that effectively monitor the performance of both students and schools.

Mr Reich, meanwhile, is creating a national council (composed of businessmen, educators and trade unionists) to oversee a new system of vocational qualifications along European lines. Nearly a decade after Britain, the US is waking up to the fact that its educational system is geared almost exclusively to the needs of the minority who gain university degrees. As in the UK, each stage of education is essentially a preparation for more advanced education, rather than for life or work. Little or nothing is done to ease the transition from school to work for non-academic youngsters; there is no system of nationally-recognised credentials for non-graduates.

Both moves could provide substantial long-run benefits. But the Clinton reforms differ from Britain's in crucial ways. In the first place everything is voluntary. On the school side, this was unavoidable because the US constitution gives states primary responsibility for education. With federal spending accounting for only about 6 per cent of school budgets, Washington is like a flea trying to discipline an elephant. At best it can hope to influence states by cleverly deploying the small carrots and sticks at its disposal. The success of new vocational qualifications, meanwhile, will largely depend on support from private business – which is by no means assured.

The other big difference is that the administration is putting no emphasis on increased competition between schools. Many reform-minded Democrats believe that schools should be able to opt out of the often stifling bureaucracy of local school districts (the US equivalent of local education authorities) and receive funding directly from state governments. Mr Clinton is not throwing his weight behind the idea partly because of opposition from the teachers' unions, big contributors to the Democratic party.

Whether more "choice" would greatly improve educational quality is as hotly debated in the US as in Britain. But it is plausible to argue that a freeing-up of any long-established system will offer potential benefits. At the moment, the "people-based" economics that supposedly lies at the heart of Mr Clinton's strategy is looking decidedly tame.

Slippery slopes of Bosnia

IAN DAVIDSON on EUROPE

The chorus of demands that something more be done to stop the interminable horror of the war in Bosnia is becoming irresistible. The present United Nations-sponsored policy, combining diplomatic persuasion, trade sanctions and humanitarian aid, is obviously not bringing peace. And since the world naturally turns to the US for leadership in a crisis, America's new president is under growing pressure to respond.

Unfortunately, there are no easy alternatives to the present policy which would be safe for us and which would make things better for them. All the limited schemes currently being touted can only make matters worse. If we seriously want to do something to stop the Serbs and end the slaughter, there will be no halfway stopping point.

● Arming the Moslems: The proposal that the outside world should arm the Moslems seems to me indefensible on any grounds – political, practical, humanitarian or moral.

In the first place, the UN would be forced to close down its humanitarian aid programme. This would be a moral setback, unless we suppose the war would end instantly. Second, I defy anyone to frame a UN resolution endorsing such a policy – not just because the Russians would object, but because it is inconceivable that the UN should actually promote a civil war. By implication, the UN would be forced to get out of the peacekeeping business, not just in Bosnia, but worldwide.

Should Britain, France and the US promote the supply of arms to the Moslems, acting outside the UN and and in opposition to declared UN policy? Could they prevent other countries from supplying the Serbs?

Such a policy would effectively turn a small war into a large war, with a much more unpredictable end. Some claim that a large war would be morally better because the sides might be more equally matched. But we cannot predict the balance of forces; we only know there would be much more killing.

● Air strikes: Some people argue that the outside world must intervene directly to compel an end to the war; they claim that this can be achieved by precision bombing against Serb artillery, supply lines, or even the Serb homeland.

Such arm's-length intervention would have three advantages: it is less hypocritical than arming the Moslems; it acknowledges that any alternative to the present policy must involve direct intervention; and it is unlikely that western soldiers would be killed.

Unfortunately, the disadvantages are much greater. It is virtually impossible that precision bombing in wooded mountain country can take out enough artillery pieces, which are small and mobile, to make a serious military difference. It is even less likely that it could stop the Serbs on the ground, let alone make them sign up for the Vance-Owen plan, and then surrender the vast excess territory they have conquered.

Moreover, western leaders would be then hooked on the undeclared logic of military intervention. They would have denied that they were going to put troops into Bosnia; but since bombing by itself must fail, they would then face a painful choice between going back ignominiously, or going on to the next stage, which is to put fighting troops on the ground. It would be better if they spelt this out in advance.

● Safe havens: Some people argue for a purely defensive intervention, to create a safe haven for the Moslems. This might be militarily feasible, with a few thousand troops, in limited areas such Sarajevo. But if the safe haven were easy to set up, because it was limited to the Moslem heartland, it would in practice define the future frontiers of a new minimal Moslem state, which would be much more restricted than anything in the Vance-Owen plan. If it were less limited, it would mean fighting the Serbs and Croats. We have no reason to suppose that other outsiders would not then pile in on the side of the Serbs, ostensibly for equally "defensive" purposes.

The fundamental dividing line is between intervention and non-intervention. But there is no way we can remain at arm's length for our own safety, yet have the impact on the war that can only come from going in on the ground. There is no safety net between limited intervention at the start and total intervention at the end. This logic cannot be finessed, and the politicians must not pretend that it can.

Second, there is no sense in talking about a military intervention without devising, in advance, a political strategy to go with it. The seductive lure of the arm-the-Moslems option is that it appears to exonerate us from responsibility, though of course it could not protect us from the consequences of such an incendiary policy. But any of the interventionist options, however small at the start, must end inexorably with the sending of troops.

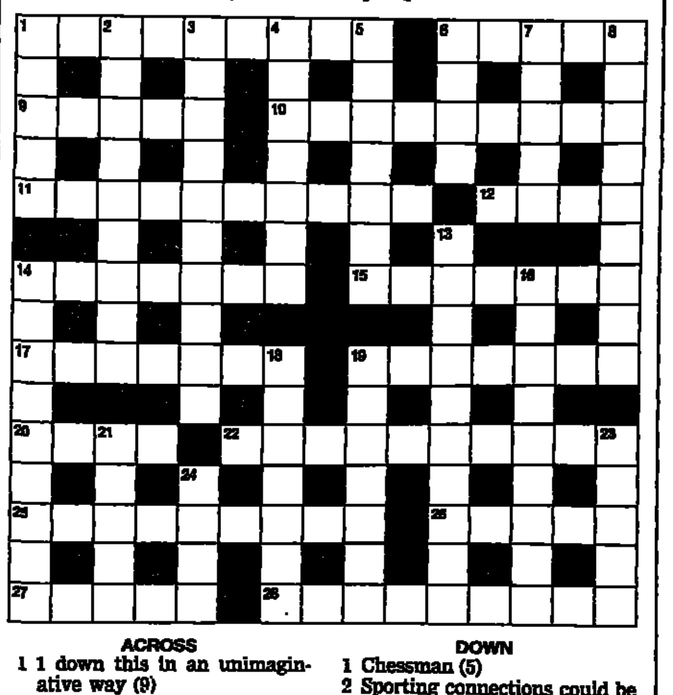
I am not against sending troops. But what will they be sent to do?

The answer is, unfortunately, self-evident: it can only be to impose a settlement on the whole of Bosnia, with or without the benefit of a peace plan. There is no point starting down the road of military intervention unless the objective is a comprehensive political strategy. That means that governments must be prepared, in advance, to send very large numbers of troops.

Personally, I should prefer to stick with the present policy, unsatisfactory as it may appear. The dead and the dying are a daily horror; but every single life saved is a life saved. But if governments are determined to change tack, at the very least let them spare us the pretence that their new policy will be safe and moral.

CROSSWORD

No.8,135 Set by QUARK



ACROSS

1 1 down this in an unimaginative way (5)
6 1 down this is rich but crumbly (5)
9 Applied gel between very large eyes (5)
10 No mild ale being drunk? That *should* be *pinned* on somebody (9)
11 Able to see far? You could have this sight (10)
12 1 down this extends over limited period (4)
14 Views on losing leader? They could have teeth (7)
15 Cards to put by for use when telephoning (7)
17 At university cleaner hair could show it (7)
19 List of contributors editor included in evaluations of work (7)
20 1 down this may indicate quick outburst (4)
22 In clothes, wearing no extremes: it indicates boredom (10)
25 A French wig tint perhaps is inadvertent (9)
26 The white house (5)
27 1 down this one doesn't want to draw (5)
28 Any weeds died out in 24 hours (9)

DOWN

1 Chessman (5)
2 Sporting connections could be seen here (4,5)
3 Examine at least 40 for the match records (4,6)
4 Fruit bar issue (5)
5 Language self-help scheme picked up over the depression (7)
6 1 down is to be paid almost immediately (4)
7 Raise hat to the English cream (5)
8 Upsetting din may set blows up (9)
13 Sarcastic about unoccupied dunce hesitating (10)
14 Extra numbers seen once on 2? (4,5)
16 Executive chair could be puffed up about tea-time (9)
18 There's scope through, say, sight (7)
19 1 down this is swindled (7)
21 The drain in the house we repaired (5)
23 1 down this is certainly not novel (5)
24 Pack in school, lacking energy (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 8.

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